

Assessing the Viability and Growth Potential of the Traditional Search Fund Model in Sweden

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Abstract

This thesis assesses the viability of replicating the traditional search fund model in Sweden. A qualitative and quantitative comparison of the Swedish and American markets across five dimensions – access to capital, availability of suitable search fund targets, interest from prospective searchers, transaction environment capabilities, and the perceived risk-return profile of the model – shows that direct replication faces significant barriers. Three impediments stand out: (1) limited accessibility to search phase equity capital, driven by investor unfamiliarity with the model and heightened risk aversion; (2) fierce competition for "ideal" search fund target companies from private equity and serial acquirers, intensified by Sweden's high levels of financial transparency; and (3) the absence of a domestic performance track record, which amplifies perceived risk and hampers investment. However, these obstacles do not strictly preclude determined individual entrepreneurs from using the traditional model to address the emerging succession gap as many Swedish owners near retirement. They must, nevertheless, first navigate the frictions identified above. The research finds that self-funded search fund variants currently represent a more viable path given local investor sentiment and limited institutional awareness. Although significant growth of traditional search funds in Sweden is unlikely in the short term, the model is anticipated to gain gradual traction if successful adaptations and precedents emerge over the coming years.

Keywords

Search Funds, Entrepreneurship Through Acquisition, Entrepreneurial Finance, Private Capital

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1. Introduction

1.1. Background

Search funds – a specific form of Entrepreneurship Through Acquisition (ETA) in which entrepreneurs raise dedicated capital to search for, acquire, and operate established small or medium-sized enterprises (SMEs) – have garnered growing attention internationally for their distinctive fusion of private equity (PE) and hands-on entrepreneurship. Although this model has enjoyed considerable uptake in the United States (U.S.) and gained momentum in select European markets, notably Spain and the United Kingdom, its foothold in Sweden remains tenuous at best (Kowalewski et al., 2024). This paradox is particularly striking given Sweden's established PE and venture capital (VC) sectors (Baygan, 2003), innovation-centric culture (Hall & Löfgren, 2017), and aging population (Sweden Aging Population, 2023), much of which are SME owners on the cusp of retirement (Swedbank & Sparbankerna, 2018). These are factors that would typically be conducive to the search fund model's success. This thesis aims to uncover the reasons behind this paradox – providing key insights for entrepreneurs, investors, and business owners alike.

This study assesses the viability and growth prospects of traditional search funds in Sweden through a comparative analysis with the mature U.S. search fund market. If the structural, demographic, and financial conditions that underpin the success of search funds in the U.S. are similarly present in Sweden, it is reasonable to infer that the Swedish market may support proportionate levels of search fund success. The study integrates quantitative and qualitative data to capture both the macro-level characterizations of the Swedish market and the micro-level experiences of actual market participants. Quantitative analyses rely on primary data collected from potential search fund entrepreneurs in the form of a survey and secondary sources to gauge the size and nature of Sweden's potential acquisition pipeline. Meanwhile, qualitative methods, including semi-structured interviews with key stakeholders such as investors, searchers, and bankers, shed light on financial, cultural, and systematic opportunities and frictions.

This paper advances the search fund literature by systematically assessing whether the U.S. model can be effectively applied in a new region. In doing so, it not only provides a general knowledge for entrepreneurs and investors keen on extending the search fund model within Sweden but also offers a lens for evaluating its broader applicability in other underrepresented geographies.

1.2. Purpose and Research Question

The purpose of this thesis is to investigate the viability of the traditional search fund model in Sweden by exploring both the structural enablers and constraints that shape its potential for success. Rather than offering a definitive verdict on its viability, this study aims to provide a nuanced, comparative analysis by juxtaposing the Swedish market with the well-established U.S. search fund ecosystem.

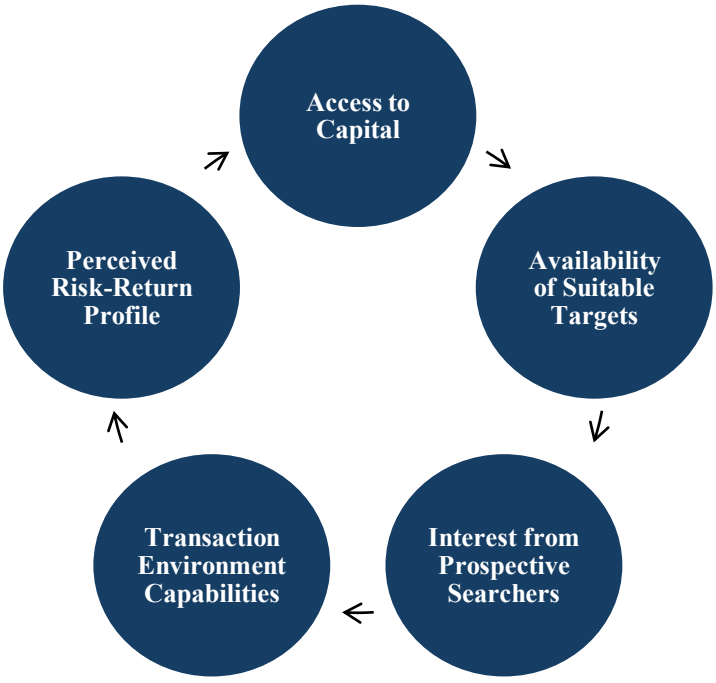
This purpose informs the central research question:

How viable is the traditional search fund model in Sweden when considering both its growth potential and the key impediments to its establishment?

This thesis coins a novel framework (Figure 1) that investigates the research question through five interrelated dimensions: (1) access to capital, which encompasses both equity and debt financing for searching and acquisition; (2) the availability of suitable search fund targets; (3) interest from skilled and motivated prospective searchers prepared to adopt the model; (4) the capabilities of the transaction environment, which includes the legal, tax, and advisory frameworks; and (5) the perceived risk-return profile of the model, which determines the potential for investment.

Figure 1

The Five Dimensions Framework on Traditional Search Fund Viability.



1.3. Prior Research and Research Gap

While the search fund model has expanded rapidly, it has attracted far less scholarly attention than other alternative investments. This imbalance reflects the difficulty of obtaining search fund transaction data, the small community of practitioners, and the model's relative unfamiliarity beyond specialized circles. Consequently, numerous research gaps remain unaddressed. Key gaps include the model's implementation in underexplored markets, analyses of searchers' experiences, evaluation of post-acquisition performance at acquired firms, and investors' perspectives on risk and return in different countries. Indeed, there are few peer-reviewed articles on search funds (Bauer et al., 2025; Ener & Dávila, 2023; Freiling & Oestreich, 2022; Hunt & Fund, 2012; Morrissette & Hines, 2015). Instead, most existing literature is largely practitioner-oriented, consisting of descriptive reports, cases, and guidelines (Dennis & Laseca, 2016; Kelly & Heston, 2024; Kowalewski et al., 2024; Nieboer & Carenzo, 2011; Ruback & Yudkoff, 2017; Simon, 2021; Benjamin et al., 2021).

Prior research by Hunt and Fund (2012) positioned ETA as a distinct entrepreneurial path, separate from traditional startups and buyouts. Bauer et al. (2025) conceptualize searchers as hybrid successors – combining traits of internal and external successors – offering a potential "second-best" option in succession planning for family firms. Ener and Dávila (2023) add a European lens, highlighting the need to adapt the traditional U.S. search fund model in European contexts to account for differences in governance, investor dynamics, and institutional context. Freiling and Oestreich (2022) discuss the model in Central Europe, emphasizing the model's potential to address SME succession amid growing investor interest. The most comprehensive quantitative data available on search fund outcomes has been provided by reports from the Stanford Graduate School of Business based on a dataset of 681 North American search funds dating back to 1984 (Kelly & Heston, 2024). IESE Business School has similarly broadened this perspective internationally, evaluating 320 search funds outside North America and highlighting regional differences in search fund processes and outcomes (Kowalewski et al., 2024).

1.4. Primary Focus and Delimitations

This study focuses on the traditional search fund model, where multiple investors provide both search-phase and acquisition capital. While other variants, such as self-funded and accelerator-backed models, are acknowledged, they fall outside of the primary scope (see Table 1 for comparison of variants). This focus allows for consistent comparison with the international ETA literature, which largely centers on the traditional model (Kelly & Heston, 2024; Kowalewski et al., 2024; Benjamin et al., 2021), thereby enhancing the relevance and interpretability of findings. Furthermore, this thesis is intentionally limited to evaluating the viability of launching first-time search funds in the Swedish market. By centering on this national context, the study can more rigorously account for factors such as localized investor and financing norms that might shape search fund viability.

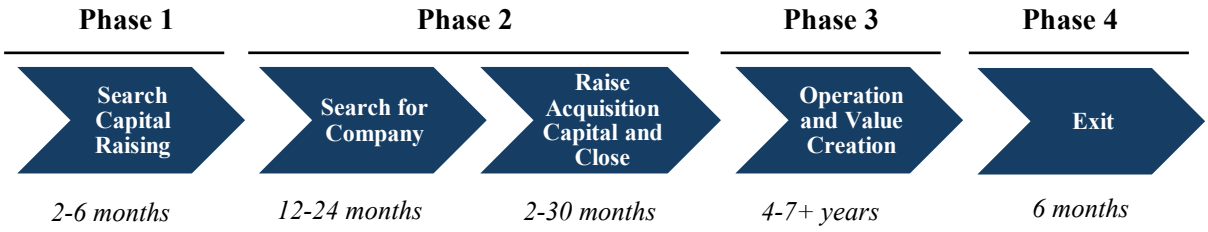
1.5. Introduction to the Search Fund Model

Given the model's relative unfamiliarity, especially outside the U.S., this section offers a concise overview of the search fund model. A search fund is a distinctive investment vehicle that enables aspiring entrepreneurs to acquire and operate established SMEs (Benjamin et al., 2021). By lowering traditional barriers to entrepreneurship, such as the need for significant personal capital or a novel business idea, search funds have become an increasingly attractive pathway for business school graduates and early-career professionals seeking to step into CEO roles (Benjamin et al., 2021; Bauer et al., 2025). For a comparison of how search funds differ from more conventional PE and VC structures (e.g., fund size, time horizon, ownership and governance rights), see Appendix A.

The traditional model unfolds in four sequential phases (see Figure 2). In the initial fundraising phase, one or two individuals, known as "searchers," secure initial capital from active investors specifically intended for use in identifying ("searching" for) an acquisition target. Typically, each search fund aims to acquire a single company. The second phase, the "search," involves actively seeking an appropriate company using capital from the initial fundraising and, once a company has been identified, raising additional capital required to finalize the acquisition. After successfully acquiring the target firm, the searcher assumes a full-time leadership operating position, usually as the CEO. The final phase of the model involves the exit, typically executed within four to seven years post-acquisition, allowing both searchers and investors to realize financial returns. (Kelly & Heston, 2024)

Figure 2

The 4 Phases of a Traditional Search Fund.



Note. Adapted from Kelly & Heston, 2024

1.5.1. Origination and Evolution of the Model

The traditional search fund model originated in the U.S. in 1984, introduced by Irving Grousbeck during his tenure at Harvard Business School. Grousbeck identified a systemic challenge within the SME sector: a substantial number of profitable firms lacked formal succession plans, particularly as founding owners approached retirement. Concurrently, he noted that many recent MBA graduates with entrepreneurial aspirations were constrained by limited access to capital, which precluded them from

pursuing direct business ownership. To address this gap, Grousbeck conceptualized the two-stage investment vehicle now known as the search fund. (Benjamin et al., 2021) In the first stage, searchers raise a relatively small amount of capital from 8-20 investors (Rozenrot, 2005), often ranging between USD 300,000-700,000 (Dennis & Laseca, 2016; Benjamin et al., 2021; Kelly & Heston, 2024; Kowalewski et al., 2024). This initial investment supports the searcher's living expenses, office setup, travel, and due diligence efforts while identifying a potential company to acquire. Investors in this stage gain priority rights to invest further when a target company is found. In the second stage, once the searcher identifies a suitable business, those initial investors gain the right, but not the obligation, to contribute pro rata to the significantly larger acquisition round, often at a 1.5x step-up as compensation for the risk that they took by financing the search phase (Benjamin et al., 2021). This second stage typically involves a blend of equity from the investor group plus external debt financing (Ruback & Yudkoff, 2016).

One of the earliest successes of the model was the acquisition of Uniform Printing by Jim Southern in 1984 (Dennis & Laseca, 2016). This case highlighted the practical potential of search funds, attracting the interest of leading academic institutions like Harvard and Stanford Business School. Interestingly, 62% of international search fund acquisitions were made since 2020 (Kowalewski et al., 2024), demonstrating the accelerating expansion of the model. The model has also benefited from a growing support network, including accelerators, specialized investor communities, and mentoring programs, all of which have contributed to its recent surge in popularity (Simon, 2021).

Although the so-called "funded" or "traditional" search fund remains the most recognized format, other variations have materialized (see Table 1). One is the "self-funded" search fund, wherein the entrepreneur pays out of pocket for the search phase. If successful, the searcher then uses primarily their own equity and debt, often in the form of a Small Business Administration (SBA) loan in the U.S., at the point of acquisition. Another emerging structure is a "sponsored search" in which a single investor, such as a PE firm, underwrites all expenses, potentially trading off a larger portion of the searcher's performance incentives. (Dennis & Laseca, 2016) More recently, "long-term hold" approaches have surfaced, enabling the entrepreneur to make multiple acquisitions under a single vehicle or to pursue indefinite holding periods rather than the four-to-seven-year horizon typical of search funds (Kelly & Heston, 2024).

Table 1

Search Fund Types

Type	Core Idea	Capital Source	Searcher Pay & Equity
Traditional	Investor-funded 2-year search; backers get first right to invest in the deal, typically at a 1.5x step-up.	± 8-20 investors fund a $350-450k search budget; acquisition financed with investors' equity plus senior & seller debt.	Search salary drawn from the budget; market CEO salary after close and 25% common equity that vests over 4-5 years.
Self-funded	Searcher covers all search expenses and may self-finance part of the acquisition.	No outside search capital; acquisition financed with personal savings plus SBA/bank debt and (optionally) minority investors at closing.	No salary while searching; CEO salary post-close and 30-100% ownership, depending on outside equity sold.
Sponsored	One PE firm or family office supplies all search and deal equity.	Sponsor provides a $300-600k search budget and writes the main equity ticket; acquisition financed by sponsor, bank & seller debt.	Search salary from sponsor; CEO salary and 20-30% carried interest or equity, often with performance hurdles.
Crowdfunded	Online platform aggregates many small equity tickets for search (and often the acquistion).	Units of ≤ $10k sold to dozens/hundreds of investors; acquisition may also use bank & seller debt.	Stipend similar to traditional; CEO salary and 20-30% ownership post-closing.
Long-term hold	Evergreen vehicle that buys one firm to compound value for 10-20 years+.	Investors fund initial search; larger committed pool raised up front for acquisitions and follow-on tranches pre-approved.	Search salary similar to traditional model; CEO salary after close and low initial vesting compared to traditional model.
Accelerator-backed	Cohort program supplies capital, shared resources and intense mentorship.	Accelerator fund covers search capital; Accelerator guarantees the acquisition equity.	Salary during search; after close CEO salary and circa 25% ownership negotiated with the accelerator.

Note. Adapted from Benjamin et al., (2021); Dennis & Laseca, (2016); Kelly & Heston, (2024)

2. Literature Review

The literature review is organized into four themes of existing relevant research. Firstly, it examines the search fund model as an entrepreneurial and investment vehicle. Secondly, it explores research on search strategies, target companies, and searcher characteristics. Thirdly, it reviews studies on investor motivations and capital structuring approaches. Finally, it examines research on search fund adoption across geographies outside of the U.S. – an underexplored area in the academic literature.

2.1. The Search Fund Model as an Entrepreneurial and Investment Vehicle

2.1.1. Hybrid Model in Entrepreneurial Finance

Academic research situates search funds at the intersection of entrepreneurship and PE, characterized by their hybrid structure that combines elements from both fields (Morrissette & Hines, 2015; Hunt & Fund, 2012). Hunt and Fund (2012) argue that the framing of ETA using classical agency theory fails to differentiate ETA from entrepreneurial and growth PE activities. Instead, they offer an explanatory model which include the intents of the searcher and their novel financing, thus solidifying the search fund model in its own domain. Recent peer-reviewed research by Bauer et al. (2025) elaborates on the entrepreneurial and succession dimensions of the search fund model. They position search funds as entrepreneurial entry vehicles explicitly structured to recognize, discover, and exploit business opportunities, aligning well with entrepreneurial opportunity theory. Additionally, this study highlights that search funds serve as hybrid succession mechanisms, combining the preservation of socioemotional wealth – often a priority in family-internal successions – with the growth orientation and operational professionalization typically pursued by external sponsors, such as PE firms. This unique positioning enables search funds to bridge the gap between internal succession, which emphasizes continuity, and external succession, which aims for aggressive performance improvements.

2.1.2. Financial Performance

Empirical research on search funds has largely focused on tracking financial performance, with longitudinal reports conducted by the Stanford Graduate School of Business (Kelly & Heston, 2024) and IESE Business School (Kowalewski et al., 2024) providing the most comprehensive dataset. According to the most recent findings, U.S.-based search funds have historically achieved an average Internal Rates of Return (IRR) of 35% and a 4.5x Return on Investment (ROI), positioning them as highly competitive investments. In the rest of the world, these figures drop to a more modest 18% IRR and 2.0x ROI (Appendix B). However, while aggregate performance data suggests strong returns, individual fund outcomes exhibit substantial variability. Approximately one-third of all searchers fail to acquire a company. Of the two-thirds who do acquire, around 25-30% of them exit their acquisitions

at a loss. On the other hand, one-third of acquisitions reach ROIs of at least 5x, with top-performing search funds achieving ROIs exceeding over 10x. (Kelly & Heston, 2024; Kowalewski et al., 2024)

2.1.3. Risk Profile

Some existing research emphasizes the unique risk profile associated with search funds. Morrissette and Hines (2015) conducted twenty-four semi-structured interviews with experienced search fund investors to elucidate the risk landscape of search fund investing. Their findings indicate that post-acquisition operational failure represents the most significant risk, since both search and acquisition capital have now been fully invested and debt mechanisms with personal guarantees are often utilized. Interviewees also identified additional unique risks relating to the model: a search may never yield a viable acquisition; illiquidity inherent in committing capital to a single company over an extended holding period; and the heightened exposure resulting from a blind-pool structure lacking diversification. Moreover, most searchers assume the chief executive role with limited hands-on managerial experience, thereby intensifying the challenges of integration, growth management, and operational turnaround in the post-closing phase. Additionally, Kessler and Ellis (2012), in a practitioner-oriented Stanford GSB working paper, define failure as one or more of four critical events – bankruptcy, failing to return capital, returning below the original principal upon exit, or the searcher being released or resigning – and pinpoint nine common causes of these failures: low or negative industry growth; customer concentration; complex operations; restrictive capital structures; conflicts between searchers and boards of directors; troubled dynamics with previous owners; low gross margins; inability to retain or attract talent; and executive failures. They also warn of significant search phase risks – namely, the inability to source and acquire a suitable business or encountering proposals inappropriate for investors – as well as illiquidity and the inherently high-risk nature of the investment.

2.2. Search Strategies, Target Companies, and Searcher Characteristics

2.2.1. Search Strategies

As with analyses of search fund financial performance, research on search strategies is largely descriptive and offers limited in-depth analysis. The IESE reports that 64% of international searchers rely on proprietary search methods, which involve direct contact with business owners, while 37% source deals through brokers and intermediaries. The study further highlights that searchers who actively seek companies through proprietary means may indeed identify and secure acquisition targets at better prices than intermediated counterparts. However, searches are time-intensive, with searchers evaluating an average of over 3,000 businesses, engaging in 159 owner conversations on average, and signing approximately four Letters of Intent with different companies before closing a transaction. (Kowalewski et al., 2024) Intermediated search, which relies on business brokers and M&A advisors, has been studied as an alternative deal-sourcing strategy. According to the Stanford Search Fund Primer

and the HBR Guide to Buying a Small Business, which are practitioner-oriented sources of search-fund literature, the primary advantages of brokered deals are the ease of contact for the searcher, consolidation of target company information, and the knowledge of the sellers' desire for liquidity. While brokers can facilitate introductions to potential targets, the number of buyers often leads to higher competition and more expensive businesses. Because brokers are typically compensated by the seller on a commission basis, they are incentivized to achieve the highest possible sale price for the seller (Ruback & Yudkoff, 2017; Benjamin et al., 2021).

2.2.2. Ideal Target Companies

Stanford's Search Fund Primer (Benjamin et al., 2021) outlines general financial, industry, and characteristic guidelines that traditional search fund target companies should follow to provide the highest probability of success for a searcher. Widely cited in the search fund community, it remains prescriptive and practitioner-focused – relying on faculty judgment. It is still among the most relevant literature on search funds, even though its recommendations may reflect survivorship bias and U.S.-centric market dynamics. Financially, the Primer explains that targets are typically SMEs with USD 10-30m in revenue and USD 1.5-5m in EBITDA, supported by stable, recurring revenues, modest growth, and low capital expenditures. They often trade at 5-7x Enterprise Value-to-EBITDA (Kelly & Heston, 2024; Kowalewski et al., 2024) with median purchase prices of USD 11.8m internationally (Kowalewski et al., 2024) and USD 12.8m in the U.S. (Kelly & Heston, 2024) However, historical purchases prices range from less than USD 1m to over USD 70m (Kelly & Heston, 2024). Searchers generally seek 20-25% EBITDA margins and a Return on Tangible Capital greater than 20% (Benjamin et al., 2021). Industry-wise, ideal targets operate in niche B2B services, software, or specialty manufacturing, offering scalable, "sticky" products or services with a defensible moat in growing, fragmented, early-stage sectors with straightforward operations (Kelly & Heston, 2024; Benjamin et al., 2021). Typical firm characteristics include roughly 40-50 employees, solid middle management, multiple growth avenues, and a seller motivated by non-business reasons. (Kelly & Heston, 2024; Kowalewski et al., 2024; Benjamin et al., 2021)

Search funds succeed by homing in on what Johnson (2014) at IESE calls "a fragmented and inefficient part of the market" – businesses that he argues fall between the investing sweet spots of angels and institutions. He argues that when the EBITDA is less than USD 5m, the deal is often ignored by larger players, leaving room for the searcher to professionalize operations and drive growth. Once EBITDA surpasses the USD 5m mark, the same business becomes highly attractive to institutional investors and strategic buyers, allowing the search fund to realize significant value creation. (Johnson, 2014)

2.2.3. Searcher Characteristics and Factors Influencing Success

A growing body of research has characterized common searcher profiles and proposed hypotheses about which attributes are critical for long-term success. The 2024 Stanford Search Fund Study (Kelly & Heston, 2024) reports that a significant proportion of U.S. search fund entrepreneurs come from backgrounds in management consulting (26%), investment banking/finance (23%), and general management (14%), and 74% of searchers had obtained an MBA. Beyond professional background, Ruback and Yudkoff (2017) have explored personal traits essential for search fund performance. They argue that beyond capital or specific prior experience, a searcher's commitment to operating a business, along with a willingness to learn and engage deeply, are necessary characteristics for long-term success.

2.3. Investor Perspectives and Capital Structuring

2.3.1. Investor Motivations and Engagement in Search Funds

Search funds attract investors with their high-returns, with many of them viewing search funds as low-risk investments thanks to its staged financing, governance involvement, and stable targets (Morrissette & Hines, 2015; Hunt & Fund, 2012). Investors prioritize entrepreneurs who combine integrity, sales and people skills, a clear investment thesis, robust sourcing, adaptability, transparency, humility, and hands-on operational commitment (Morrissette & Hines, 2015; Kessler & Ellis, 2012). Ener and Dávila (2023), in a peer-reviewed study, employ agency theory to examine searcher-investor dynamics. They show that goal incongruence and unclear role definitions spark conflicts – particularly in Europe, where local investors often lack familiarity with the model compared to seasoned international backers. They demonstrate that aligning incentives (e.g., tying searcher equity upside to long-term performance), clearly defining governance roles, and maintaining structured communication channels substantially reduce agency friction.

2.3.2. Capital Structuring in Search Funds

Descriptive research has explored the financing structures commonly employed by search funds, emphasizing their use of a mix of entrepreneur equity, external investor equity, seller financing, and bank debt (Ruback & Yudkoff, 2017). A particularly important component of the financing stack is seller financing, which often takes the form of loans, earn-outs, or deferred payments. Rozenrot's (2005) case study from the Tuck School of Business at Dartmouth suggests that seller financing not only reduces the acquirer's immediate capital outlay but also links the seller's economic interests to the post-acquisition performance of the firm, thereby enhancing incentive alignment. Ruback and Yudkoff (2017) identify SBA 7(a) loans as a principal debt instrument for U.S. search funds. These loans, up to USD 5m, can cover up to 80% of an acquisition's purchase price, versus the 40-50% financing typical of conventional bank debt. Because the SBA guarantees 75% of each loan, borrowers benefit from

lower interest rates and, with maturities of up to ten years, enjoy greater repayment flexibility. However, they also warn that SBA loans carry stringent covenants and require personal guarantees, which can limit borrower autonomy despite the attractive financing terms.

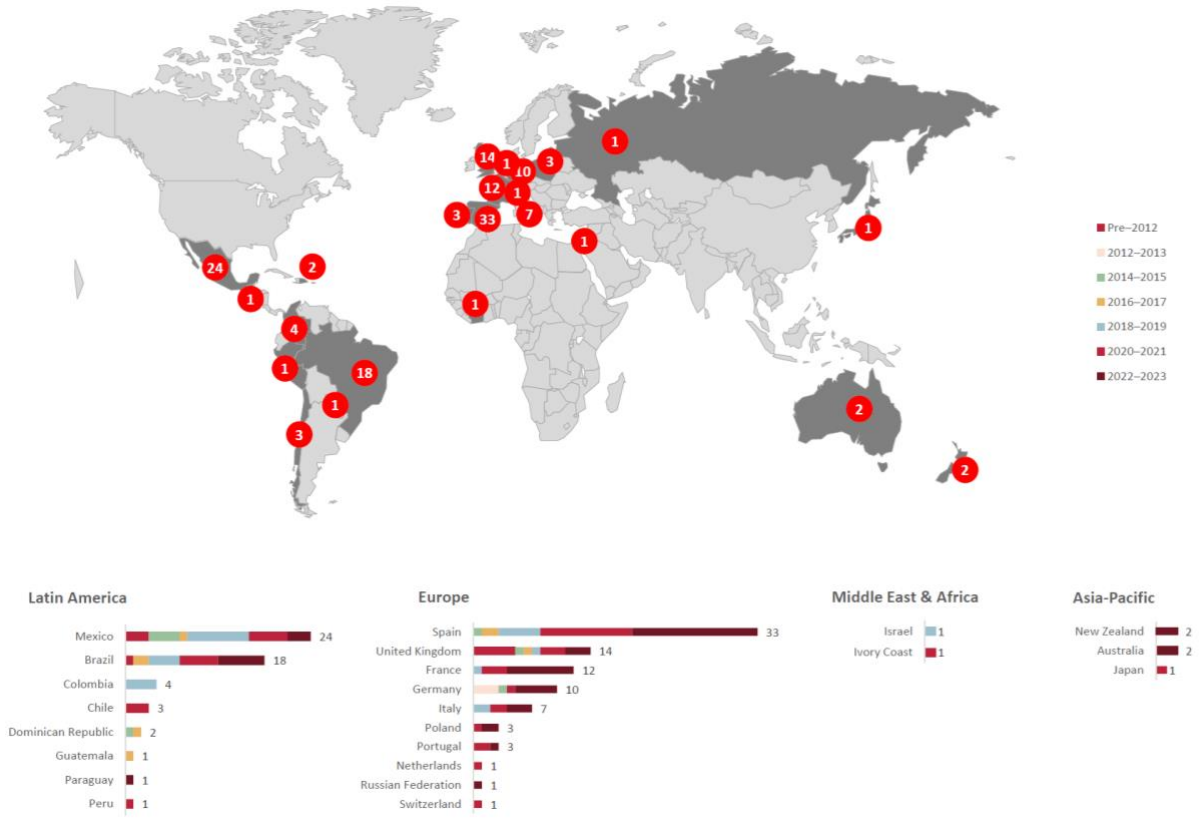
2.4. Search Fund Adoption in Different Geographies

2.4.1. Search Fund Expansion and Challenges in Europe

According to IESE's tracking reports, Europe has seen a gradual but uneven adoption of search funds, with Spain, the UK, and France exhibiting the greatest activity. As of 2024, there have been 85 search fund acquisitions in Europe (Figure 3). 33 have occurred in Spain, 14 in the UK, 12 in France, and 10 in Germany, with a handful of additional acquisitions in other European countries. Furthermore, there have been a total of 6 material search fund exits in Europe with positive returns. This activity has largely occurred in recent years, with most acquisitions taking place after 2019. (Kowalewski et al., 2024)

Figure 3

International Search Fund Acquisitions by Location and Vintage According to IESE Study.



Note. From Kowalewski et al., 2024

Ener and Dávila (2023) provide one of the most comprehensive peer-reviewed analyses of the search fund model's evolution in Europe, arguing that success hinges on local adaptation. While the model is gaining traction, European markets present distinct challenges, including cultural resistance to external succession and a fragmented and uneducated investor landscape. The authors also highlight structural constraints, such as limited access to acquisition debt, which necessitate greater reliance on seller financing and local capital. To succeed, European searchers must build trust with sellers, align their investor base, and adjust the traditional model to local norms. Despite these challenges, the study notes growing momentum supported by demographic trends, emerging investor communities, and institutional engagement.

Further insights into regional search fund adoption emerges from Freiling and Oestreich's (2022) peer-reviewed study of Central Europe, specifically German-speaking markets. They identify four primary barriers to search fund adoption: limited awareness of the model among entrepreneurs, investors, and owners; a cultural preference for traditional succession (e.g., intra-family transfers); skepticism toward young, external leaders; and competition from more familiar financing routes (PE and bank-led buyouts). Despite these challenges, they argue that enhanced institutional support, targeted investor education, and the emergence of credible local role models could unlock the model's potential as a viable SME succession solution in the region.

2.4.2. Search Fund Expansion Outside of Europe and North America

Latin America has had 54 acquisitions, with Mexico (24 acquisitions) and Brazil (18) emerging as regional hubs. In the Asia-Pacific region, adoption remains at an early stage, with only five acquisitions recorded. Finally, the Middle East and Africa show minimal activity, with two recorded acquisitions (Kowalewski et al., 2024). While existing studies on search fund expansion outside of Europe and North America provide useful descriptive accounts of adoption and regional trends, they fall short of offering rigorous empirical insights into how the model is adapted, perceived, or institutionalized in diverse local contexts. This lack of analytical depth limits general understanding of the model's transferability and long-term viability in non-U.S. markets. However, Pöschl and Mai's (2025) describe, in an academic article based on only nine interviews, that institutional familiarity with the search fund model in Asia is limited and investors remain hesitant. They recommend a dual fundraising strategy: formulating two different pitches to address the separate and varying requirements of both international search fund investors and local financiers. The study also noted that international investors prefer to see domestic co-investors on the capitalization table; local participation both validates the searcher's relational and fundraising capabilities and helps mitigate the informational risks of operating in an unfamiliar market.

3. Hypotheses

Given the model's origins and success in the U.S., this research paper draws on a comparison between the Swedish context and the established benchmarks of the U.S. market. By identifying the market characteristics that have enabled the proliferation of search funds in the U.S., the study aims to assess whether these conditions are present, absent, or adaptable in the Swedish environment. To guide the empirical investigation, the following hypothesis is proposed:

H1 – *The Swedish market exhibits structural and institutional similarities to the U.S. market across the following five dimensions: (1) access to capital (equity and debt); (2) availability of suitable search fund targets; (3) interest from skilled and motivated prospective searchers; (4) transaction environment capabilities; and (5) the perceived risk-return profile of the model, thereby demonstrating the viability of the traditional search fund model.*

To further refine the analysis, sub-hypotheses are proposed for each of five dimensions.

H1.1. – Access to Capital: *The Swedish financial environment affords comparable access to both equity and debt financing for traditional search funds as does the U.S. market, ensuring that Swedish search fund entrepreneurs can secure the necessary capital for searching and acquiring.*

H1.2. – Availability of Suitable Search Fund Targets: *The Swedish market offers a sufficient number of mature small- to medium-sized enterprises that align with typical search fund acquisition criteria and, despite existing competition from other buyers, remain realistically accessible to search fund entrepreneurs – mirroring the opportunity landscape observed in the U.S. market.*

H1.3. – Interest from Prospective Searchers: *A pool of skilled, motivated, and entrepreneurial candidates exists in Sweden who are willing and capable of assuming the role of CEO in acquired businesses through the search fund model.*

H1.4. – Transaction Environment Capabilities: *Sweden's legal, tax, and regulatory frameworks provide a supportive environment for search fund transactions, similar to the conditions in the U.S. that have proven conducive to search fund success.*

H1.5. – Perceived Risk-Return Profile: *Investors consider the expected returns from Swedish search funds sufficient to compensate for their perceived risks, thereby encouraging further investment in new search funds.*

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4. Methodology

4.1. Research Design

A comparative research design is employed to evaluate Sweden's market against the established U.S. search fund environment across the formulated five key dimensions. The use of a mixed-methods approach – integrating qualitative interviews and quantitative data – enables a comprehensive assessment of whether Sweden shares the market characteristics that underpin search fund success in the U.S., or whether distinctive barriers impede adoption. In-depth interviews with stakeholders illuminate the key factors influencing search fund implementation in Sweden. Analysis of secondary data quantifies the universe of target SMEs and provides a market-level perspective. A survey of individuals targeted at profiles analogous to U.S. searchers gauges awareness, interest, and perceived obstacles among potential Swedish prospective searchers. This triangulation of data sources enhances validity by capturing both subjective insights and objective metrics. Furthermore, the study follows an abductive research approach, where empirical data collection and theoretical framework development occur simultaneously in an iterative process. Unlike purely deductive or inductive methods, abduction facilitates a continuous interplay between observations and evolving conceptual ideas, allowing theory to be refined as new insights emerge. (Bell et al., 2019)

4.2. Data Collection and Sampling

4.2.1. Qualitative Component

The qualitative component comprises 18 semi-structured interviews with key stakeholders (see Appendix C for a list of interviewees). The aim of these interviews is to explore the motivations, challenges, and factors influencing the adoption of search funds in Sweden from varying relevant perspectives. A semi-structured format ensures that while core themes are addressed, participants have the flexibility to elaborate on important topics. The interview process is structured to last between 25-75 minutes per participant, conducted either in-person or via video conferencing to maximize accessibility. Most of the interviews were audio-recorded – with the participants' consent – and transcribed using Artificial Intelligence (AI) for subsequent analysis (see Appendix F for all uses of AI). In all interviews, detailed notes were taken to ensure that discussions could be reviewed. The selection of interview participants follows a snowball sampling technique in which the samples are chosen based on traits relevant to answering the research question, and then these samples act as leads to discover other individuals to interview (Bell et al., 2019).

4.2.2. Quantitative Component

The quantitative component consists of a structured survey administered to students and early-career professionals currently residing in Sweden, representing potential searchers. The survey captures data

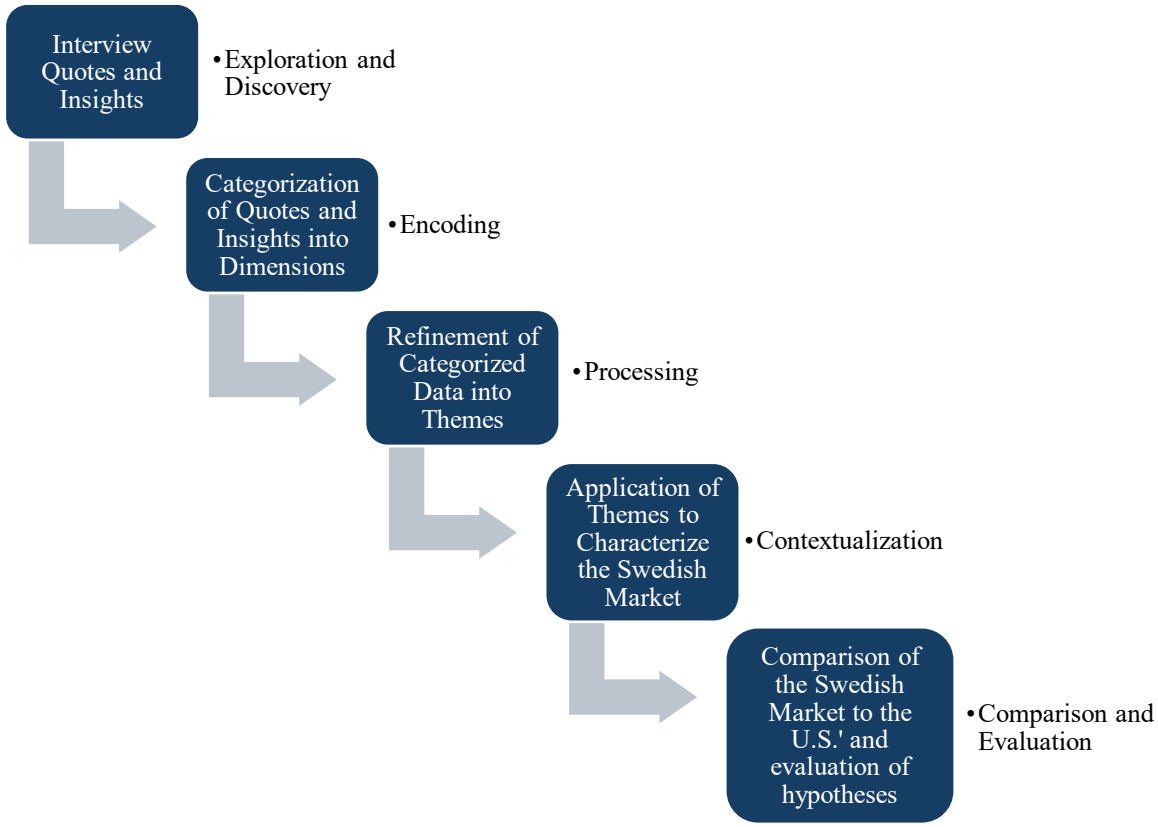
on awareness levels and willingness to pursue a search fund under varying conditions, such as the availability of mentorship (see Appendix D for survey questions and results). In addition to primary data collection, the study includes a quantitative secondary data analysis to assess the potential availability of suitable acquisition targets in Sweden as compared to the U.S. Specifically, publicly available datasets, such as S&P Capital IQ and Valu8, are extracted and filtered according to key acquisition criteria (i.e., revenue range and EBIT thresholds) to facilitate the comparative analysis.

4.3. Data Analysis

The qualitative data analysis follows a thematic approach, wherein key insights and quotes from the interviews are identified and categorized systematically into the five dimensions. These insights and quotes are then processed into thematic takeaways that are finally used to characterize and contextualize the Swedish market so that it can be compared to that of the U.S. (Figure 4) This method ensures that findings remain aligned with participants' perspectives while allowing for the development of broader conceptual insights (Bell et al., 2019).

Figure 4

Adapted Data Analysis Process using the Thematic Approach



Note. Adapted from Bell et al., 2019

The quantitative survey data is analyzed using a descriptive approach to identify patterns in model awareness, perceived attractiveness, and the availability of a potential searcher talent pool in Sweden. Secondary data from databases is analyzed using a funneling approach, whereby various filters are applied to roughly estimate the size of the Swedish and U.S. search fund target markets. A comparison of these values is then conducted by normalizing for population size, and the assumptions are explicitly stated where appropriate. The main hypothesis (H1) is evaluated through five targeted sub-hypotheses (H1.1.–H1.5.), each aligned with one of the five dimensions in the framework. Complete empirical support for H1 is established only if the empirical data affirm every sub-hypothesis in turn. Treating each sub-hypothesis as a distinct evaluative criterion ensures that all necessary conditions for the viability of search funds are addressed, and it also provides a systematic structure for organizing the data analysis.

4.4. Ethical Considerations

This study adheres to the core ethical principles outlined by Bell et al. (2019), including respect for participants, informed consent, data confidentiality, and responsible data handling. Prior to participation, all interviewees were informed about the study's aims and potential use of data. Data confidentiality is strictly maintained throughout the study. Identifiable information is anonymized, and all data was stored securely in compliance with GDPR regulations and institutional ethical standards.

4.5. Methodological Limitations and Reflexivity

While the mixed-methods approach enhances the breadth and depth of this study, several limitations warrant reflection. First, the qualitative component relies on snowball sampling, which may have led to a homogenous respondent pool due to shared networks and similar viewpoints. Despite efforts to diversify perspectives and triangulate findings, selection bias may have shaped the narratives presented (Bell et al., 2019). Second, the self-reported survey targeted individuals pre-identified as fitting a typical "search fund entrepreneur" profile. While this ensures relevance, it also introduces response bias, as participants already familiar with or supportive of the model may have been more likely to respond. As Bell et al. (2019) note, self-reported data is susceptible to social desirability effects, potentially inflating positive sentiment and limiting generalizability. Third, limited data availability poses constraints on the quantitative analysis. Since private SMEs are not always required to disclose financial information, access to ownership and performance data is restricted – particularly when attempting to compare Sweden to the U.S., where private company data is even less accessible. Finally, the study acknowledges the importance of reflexivity. Given the researchers' professional backgrounds, conscious efforts were made to minimize unintended influence during interviews and remain aware of potential power dynamics. By addressing these methodological and ethical considerations, the study aims to maintain a rigorous and transparent research process.

5. Empirical Data

The following section presents the study's empirical data, organized categorically according to the Five Dimensions Framework (Figure 1). Any quotations or information linked to specific interviewees are identified by their interviewee number, as detailed in Appendix C.

5.1. Access to Capital

5.1.1. Equity Financing Considerations

5.1.1.1. Investor Groups, Equity Ticket Sizes, and Dynamics in the U.S. versus Sweden

In the U.S., as explained by the interviewed American searchers (1, 2), search fund entrepreneurs can obtain all of their equity financing for the search and acquisition stages from experienced local search fund investors. By contrast, Swedish stakeholders emphasized that there is no equivalent experienced local investor base in Sweden. It was uncovered that, in Sweden, potential search fund investors can generally be categorized into two distinct segments. The first group comprises international investors, including those with search fund experience, normally from other European countries, while the second group consists of local investors with no experience of the model, such as high-net-worth individuals, angel investors, affluent entrepreneurs, and family offices.

Interviews revealed that it is possible to get acquisition financing from these investor groups in Sweden, but challenges might arise in securing equity at the ticket sizes that searchers require when compared to the U.S. A Swedish family-office investor (17) noted, *"I think this investment size [equity tickets of SEK 30-70m] is a bit difficult. The largest institutions would never look at it because it is way too small. And for some of the private investors, it is too much money, and then the remaining option is family offices."* One angel investor (3) confirmed, *"…it might be hard to get angel investors to invest in the acquisition. On the angel side, you would have to go to the fund size for it to be interesting."* Adding to this, several interviewees (5, 13, 14) emphasized that having fewer investors is optimal. One Swedish searcher (14) recommended limiting the number of investors to no more than ten. This searcher further expressed the difficulties of finding investors that fit well into his capitalization table; their requested contributions were either too large or too small of a percentage of their investment portfolio.

Some of the interview data suggested that conflicts can arise between international and local investors – a dynamic not typically observed in the U.S. market. An interviewed Swedish searcher (14) stated, *"I had lot of great discussions with many international search fund investors first but aligning them with my local investors was the hard part. Now, I am looking at a deal and I have only one international investor on the cap-table. Local investors are fine with the company not exactly meeting the Stanford search fund criteria, but the international investors were strict with those."*

5.1.1.2. Effects of Limited Local Investor Awareness in Sweden

It was evident in the interviews that the local investor awareness of the search fund model in Sweden remains low. One Swede who founded an entrepreneur-driven acquisition vehicle similar to a search fund (18) noted, *"Most local investors I talked to had never heard of the search fund model."* Echoing this, a Swedish searcher (14) commented on the overall investor reluctance: *"Investors are more unwilling to invest in a search fund because of a combination of factors. Firstly, there is a lack of education. Secondly, the investors have strict investment criteria, and the search fund model does not fit with those. The investors receive three to four proposals per week and naturally hesitate when a new model comes along. Their attention window is very small."*

This low level of local familiarity impacts the financing of the search phase. Several respondents highlighted that obtaining capital during the two-year search period is particularly challenging. One angel investor (3) remarked, *"The difficult part can be getting investors to finance the period spent searching for a company,"* and explained, *"It is not as easy to get access to capital here compared to the U.S. The requirements of investors have changed and increased significantly in recent years."* The Swedish searcher (14) summarized this sentiment by stating, *"The traditional search fund model is tricky because the local investor appetite for financing the search phase is small. I stopped asking [investors] after a while. They were open to invest once I had found a company, but there was no way they would finance my search phase."* Another consequence of low local investor awareness was the need for greater reassurance around the terms and structure of the search fund model. This was emphasized by an investor (17) that noted that the complexity of the equity structure in search funds could be a barrier for many investors, stating, *"investors in this investment range are not used to these complex carry models."*

A notable perspective on addressing limited local awareness of the model was shared by the founder of the entrepreneur-driven acquisition vehicle (18). He pointed out that, although the search fund model itself is relatively unknown to many Swedish investors, the idea of acquiring a company is familiar and widely accepted. He explained: *"I think that [name of a Swedish searcher] struggled a lot more than us with raising capital because he wanted to educate investors on a completely new model. For a lot of investors, this seemed riskier – something completely new that they had never seen before. We framed it as 'we want to buy a company and we are raising acquisition financing for it', which is not new. I think this lowered the barriers a lot for our equity fundraising."*

5.1.1.3. Other Key Factors Determining Search Funds' Potential to Equity Fundraise

The Swedish family office investor (17), interested in backing a domestic self-funded searcher, explained his interest in the model by noting: *"It's about getting access to deals you normally wouldn't.*

The searcher can reach targets that other investment companies avoid – like those where the CEO wants to leave – which they see as too risky."

Multiple interviews indicated that Swedish PE firms seem reluctant to finance search fund ventures in Sweden because of a searcher's usual lack of management experience and the limited exit opportunities. A CEO at a lower-middle-market (LMM) Swedish PE firm (6) noted that such firms prefer to rely on their own professionals or industrial advisors to run their portfolio companies. She further explained that a significant barrier for PE participation is the risk of limited exit opportunities in the traditional search fund model. Typically, buyers place a premium on companies where the CEO remains in place after the ownership transition. However, in the traditional search fund model, the searcher exits after 5-7 years. As she put it, *"We want a CEO who will stay post-exit, as that's a selling point to future buyers. The only realistic exit for a search fund is a strategic sale – which can impact the value at which you're able to sell the company."* However, she indicated that market conditions also play a role in the attractiveness of the search fund model for PE firms, *"when the investing market is hot, it is more relevant for new models like this to pop up."*

Furthermore, the importance of a strong track record in order to raise capital in Sweden was underscored by a partner at an M&A advisory firm (15), who emphasized that, *"It is difficult to raise capital if you cannot show a proven track record."* Another interviewee (14) emphasized the need for the model to gain legitimacy as an asset class to appease these concerns, *"It would be much better if a university would set up a search fund hub. Then it would become a legitimate asset class. Otherwise, the model will struggle to grow."* An investor (5) further asserted that, *"the model could work, provided that the individuals launching this search fund venture have entrepreneurial experience and can build and demonstrate trust to their investors*."

5.1.2. Debt Financing Considerations

5.1.2.1. Debt Financing in Sweden versus the U.S.

A debt financing professional (4) that has worked with Swedish SME transactions for over twenty years, explained his view on the Swedish debt financing environment, stating, *"Sweden is much more conservative than the U.S. In general, for Swedish SME debt financing, banks give out a maximum 50% debt-to-enterprise value, on a 4-6-year basis and at least 50% of the loan has to be amortizing."* In the U.S., search funds often leverage SBA loans and employ relatively high leverage ratios. As an interviewed American searcher (1) observed, *"Getting prequalified for a loan is not that hard. It is directly based on how much money you have in the bank."* Sweden does not have a direct equivalent to the U.S.' SBA 7(a) loans, which provides lending up to USD 5m to small businesses, and consequently searchers (U.S., Small Business Administration, n.d.). However, the Swedish debt financing professional (4) noted *"…maybe a Swedish version could be Almi loans. They stack lending with banks*

like us, and the European Investment Fund [(EIF)] guarantees part of it. The pandemic really accelerated the growth and effectiveness of these [government-backed loans]."

Using secondary sources, the authors find that the EIF has entered into agreements with Almi Företagspartner to expand lending to SMEs in Sweden (Investeringsplanen För Europa, 2016). Under these agreements, the EIF guarantees a substantial portion of the loans that Almi extends to Swedish SMEs to mitigate credit risk (EU-kommisionen, n.d.). Almi's Business Loan facility can underwrite roughly 30-50% of a project or acquisition's total capital requirement. When combined with equity contributions and other debt, this structure can allow for overall leverage on an acquisition to exceed 50%. Almi's credit decisions are driven primarily by the strength of the underlying asset or the intended use of proceeds. (Företagslån från Almi, n.d.)

The debt financing expert (4) further described the rapid evolution of Sweden's debt financing market over the past decade, characterized by the emergence of numerous credit funds and alternative debt instruments. The interviewee from the Nordic search fund accelerator (13) noted that the EIF offers a compelling alternative for European searchers due to its readiness to provide loans. He explained, *"One advantage of the Euro-zone is the availability of government guarantee schemes that enable searchers to achieve significant leverage. The EIF offers its own guarantee programs, which are channeled through commercial banks, allowing a searcher to secure up to 70% leverage."* Interviewees also noted that leverage levels in Sweden provided by regular banks remain considerably lower compared to the U.S. The interviewed Swedish searcher (14) emphasized this point by stating, *"Banks will never want to provide more debt than me and my investors put in as equity,"* indicating a practical limitation, with banks typically unwilling to exceed a 50% leverage threshold in the proposed transaction structure.

5.1.2.2. Effects of International Investor Base on Debt Financing in Sweden

A notable challenge of debt financing in Sweden was highlighted by the Swedish searcher (14) who is doing a self-funded search, who explained, *"I thought about doing a traditional search fund [with international search fund investors]. But that is tricky in Sweden because Swedish banks want a significant portion of Swedish investors on the cap-table before giving out a loan. You can have some international investors, but they want it to be a majority of Swedish investors."*

5.2. Availability of Suitable Search Fund Targets

5.2.1. Target Market Size as Implied by Public Databases and Other Secondary Sources

5.2.1.1. Sizing of the Swedish Target Market

The number of traditional search fund targets in Sweden can be roughly estimated using financial criteria that align with those outlined in the Stanford Search Fund Primer (Benjamin et al., 2021), focused on revenue and EBITDA. However, for the purposes of this estimation, EBIT will be used as a

proxy for EBITDA due to being a standard line item in financial statements. The S&P Capital IQ Pro database finds 52,207 operating private companies incorporated in Sweden (see filters used in Appendix E, Figure E2).

One target company filter identified in interviews and literature to be commonly applied by searchers is an annual revenue value ranging from approximately SEK 100m-300m (USD 10m-30m) (Benjamin et al., 2021). Applying this additional filter further narrows the pool of eligible companies to 1,805 (Appendix E, Figure E3). Another desirable trait identified during interviews was an EBIT exceeding SEK 15m, which is similar to the USD 1.5m-5m EBITDA figure laid out in Stanford's Search Fund Primer (Benjamin et al., 2021). This ensures profitable cash flows and a relatively high margin when put into perspective of the aforementioned revenue range. These filters yield 1,347 qualifying companies in Sweden (Appendix E, Figure E4).

In addition to financial thresholds, qualitative factors, such as asset-light operations and succession-driven ownership transitions, also shape the size of the opportunity landscape, though they are more difficult to quantify. Despite Sweden's relatively small market size, it maintains a robust technology sector, ranking 14th globally in terms of the number of Software as a Service companies (Leading SaaS Countries, 2024). Beyond tech, family-owned businesses offer compelling opportunities, especially in cases involving succession planning. In Sweden, family ownership dominates the private business landscape, with an estimated 90% of privately held companies controlled by families (Andersson et al., 2017). According to Swedbank and Sparbankerna (2018), 14.2% of Swedish business owners are between the ages of 65 and 74, which represents more than double the proportion of the European average. A large share of these owners will need to retire or will pass away within the next decade, emphasizing a large and clear need for succession mechanisms such as search funds. While it is not possible to directly assess the qualitative attributes of the 1,347 companies that met Stanford's ideal financial screening criteria, it is reasonable to infer that a meaningful share of this group likely also possesses characteristics aligned with qualitative search fund investment criteria.

5.2.1.2. Sizing of U.S. Target Market

Conducting a quantitative sizing of the U.S. market is more challenging due to the lack of mandatory financial disclosures for private firms. Nevertheless, the market for U.S. traditional search fund targets can be roughly quantified by leveraging U.S. Census Bureau data. The bureau publishes Annual Business Surveys (ABS) under its Economic Surveys, which includes data on all nonfarm employer businesses filing the 941, 944, or 1120 tax forms (U.S. Census Bureau, 2024). Employer businesses exclude sole proprietorships – the most prevalent business form in the U.S. and generally deemed unsuitable for search funds. At the time of writing, this thesis uses the latest available data from survey *"AB2200CSA03: Annual Business Survey: Receipts Size of Firm Statistics for Employer Firms by*

Sector, Sex, Ethnicity, Race, and Veteran Status for the U.S., States, Metro Areas, and Counties: 2022" (Appendix E, Figure E1). By filtering the survey data to include all U.S. employer companies with owners from all backgrounds, with all levels of sales, and within all industries (Appendix E, Table E1), the total number of employers is 5,876,787.

By further filtering for companies with sales between USD 10m-25m, it is found there are 115,236 firms. The authors acknowledge that the USD 10m-25m revenue bracket does not directly correspond to the SEK 100m-300m filter applied in the Swedish context; nevertheless, it serves as a reasonable proxy for cross-market comparison. Since only about 4,000 U.S. firms are publicly traded – and most of those surpass USD 25m in revenue – it follows that virtually all companies at or below that revenue level are privately held (NYSE and Nasdaq, 2024).

To identify a comparable number of potential target companies in the U.S., this analysis needs to consider not only revenue levels but also the cash flow characteristics. While data on the number of U.S. companies within the target revenue range is somewhat available, estimating how many of these firms exceed the common threshold of USD 1.5m in EBIT requires additional assumptions. Specifically, the analysis assumes EBIT-margin parity between Sweden and the U.S. for firms posting revenues of SEK 100m-300m (or its USD equivalent). Under this equivalence, the ratio of revenue-qualified Swedish firms to revenue-qualified *and* EBIT-qualified Swedish firms is applied directly to the U.S. market when estimating the addressable search fund universe. While this is a simplification, it enables a more relevant estimate of the size of the addressable search fund market in Sweden as compared to that of the U.S.

$$\frac{\#\text{ of Swedish Private Companies with SEK 100m to 300m in Revenue } \textit{and}\ \text{EBIT} > \text{ SEK 1.5m}}{\#\text{ of Swedish Private Companies with SEK 100m to 300m in Revenue}} \quad (1)$$

$$= \frac{1{,}347}{1{,}805} \approx 74.6\%$$

The ratio can then be applied to the U.S. employer companies within the desired revenue range to find the number of companies that also have the desired EBIT values:

$$\#\text{ of U. S. Companies with USD 10m to 25m in Revenue} \times \text{Swedish Ratio}$$

$$\approx \text{U. S. Companies with Ideal Revenue and EBIT Traits} \quad (2)$$

$$= 115{,}236 \times 74.6\% \approx 86{,}000$$

Following this approach, it can be roughly concluded that there are approximately 86,000 companies in the U.S. that fit the traditional search fund model's financial criteria. See Table 2 for a comparative target market funnel between the Swedish and U.S. SME market.

5.2.1.3. Comparing the Sizes of the Swedish and U.S. Search Fund Target Markets

To make a robust cross-national comparison of search fund target markets, it is necessary to adjust raw counts of eligible firms for differences in country size. Population serves as a normalization metric given its precision and universal availability across jurisdictions. Accordingly, the number of inhabitants per viable search fund target is calculated to yield a standardized measure of market density for each country.

Number of Americans per Search Fund Target:

$$\frac{\text{U.S. Population Size}}{\text{\# of Target Companies in the U.S.}} \tag{3}$$

$$= \frac{340m}{86{,}000} \approx 4{,}000 \; people \; per \; search \; fund \; target$$

Number of Swedes per Search Fund Target:

$$\frac{\text{Sweden Population Size}}{\text{\# of Target Companies in Sweden}} \tag{4}$$

$$= \frac{10.5m}{1{,}347} \approx 7{,}800 \; people \; per \; search \; fund \; target$$

The data show that the U.S. has roughly 4,000 people for every search fund-suitable company, whereas Sweden has about 7,800 people per target**,** indicating a market roughly half as dense in potential deals.

Table 2

Comparative Target-Market Funnel between Sweden and the U.S.

Sweden Filters	Sweden	U.S. Filters	U.S.
Operating Private Companies	52,207	Employer Companies Reporting in the ABS	5,876,787
Private companies with sales between SEK 100m-300m	1,805	Employers with sales between USD 10m-25m	115,236
Private companies with EBIT above SEK 15m	1,347	Employers with EBIT above USD 1.5m	86,000
Population	10,500,000	Population	340,000,000
Swedes per Search Fund Target	**7,800**	**Americans per Search Fund Target**	**4,000**

5.2.2. Target Market Size as Indicated by Interviewees

5.2.2.1. Sizing of Investable Swedish SME Universe by Different Stakeholders

The interviews showed a wide range of opinions on how many companies in Sweden are potential targets for search funds. This variation came from the different ways that interviewees evaluated the market and the quantitative filters they used. Some participants applied broad criteria, such as general

profitability and size. The founder of a Swedish serial acquirer (12) said, "*...there are approximately 3,500 privately owned companies with a revenue of SEK 50-200 million with an EBIT margin of 10%+.*" (Appendix E, Table E3) Others, however, took a much narrower view, using stricter filters on revenue range, industry sector and EBITDA margin, which caused the pool of viable companies to shrink significantly. The Swedish searcher (14) noted *"[There are] about 300 [companies in Sweden] between turnover 200-300 million [SEK] and EBITDA margin between 20% to 35%.*" He did concede that small universe of companies is largely the result of using *"ideal constraints,"* and that "*The number of companies starts going up with fewer filters and a search fund can certainly do a great deal at 15% EBITDA [margin]."* The founder of the Nordic search fund accelerator (13) pointed out that while U.S. search funds typically target businesses with EBITDAs around USD 1.5m or more, it is harder to find such companies in Sweden. An international searcher (8) noted that he did not believe that the market size of Sweden would be a limitation for the search fund model's growth potential. He noted *"I don't think that market size is a problem, yet, because the amount companies there are compared to the number of searchers there are. There is still a huge surplus of companies."*

Multiple interviewees noted that relevant companies tend to be heavily concentrated in Sweden's largest metropolitan areas. An international searcher (8) explained that targeting companies outside major cities represent opportunities. He noted, *"As a searcher, you might need to explore different regions in Sweden; these are the areas where you will find deals. You can acquire a highly regional company and then expand it to a national level, unlocking a substantial potential market."* The founder of the search fund accelerator (13) elaborated on a potential constraint in Sweden, *"If you limit your search to a small country, the number of companies is not that high, and they are already on the radar for any buyout funds or strategic buyers. You are entering a market that is somewhat competitive and also quite small."*

5.2.3. Market Competition

5.2.3.1. Drivers of Competition

Interview participants noted that while Sweden's transparency in private company reporting eases access to targets, it can also create challenges for local searchers. Respondents emphasized that the availability of extensive databases, allowing for the filtering of companies based on revenue, margins, and other financial indicators, greatly facilitates the identification of prospective targets. However, it was also noted that this increased the competition for potential targets. An M&A associate (16) stated, *"you can be sure that they [the owners of potential target companies] have already been contacted before [by prospective buyers]."* Further, a Swedish searcher (14) explained that this accessibly to target companies leaves many companies with pre-established valuation expectations. "…*the owners already have valuation expectations, which a lot of times might be way too high."*

Because of the time pressure in structured M&A transactions and the fact that searchers do not have secured financing, it was suggested in the interviews that it would be hard for a searcher to compete in structured sales processes. The M&A advisor (15) highlighted: *"Secured financing is important to be competitive. We would not include an actor in the sales process if they don't have secured funds."* He further explained his view by stating that, *"It is impossible to be successful if you don't have secured financing – even if you have a higher bid."* The Swedish searcher (14) agreed with this and commented that *"the best situation for me is to do proprietary search."*

5.2.3.2. Competitors Active in Relevant Market Segment

The competitive landscape is significantly influenced by the practices of PE firms, strategic buyers, and serial acquirers. An investor (5) commented on the difficulty Swedish search funds may face in finding targets because of the mature PE market, stating, *"There is a large barrier for search funds in Sweden because lower-middle market PE firms often focus on a specific industry and aggressively consolidate within that niche."* This was further emphasized by the M&A advisor (15) that stated, *"PE firms go lower in Sweden than they do in the U.S., especially for add-on acquisitions."*

Similarly, serial acquirers leverage their specialized industry focus and networks to secure deals. One serial acquirer (12) remarked that business transparency was a key factor for serial acquirers' fast development in the Nordics: *"Serial acquirers can look at SEK 50-200m target enterprise value. The way serial acquirers 'build' has become very popular in the Nordics, because it is easier to find these companies as a result of business transparency."* He further noted that serial acquirers acquisition criteria differ from search funds. He stated, *"a serial acquirer can only acquire the company if management stay on, which removes a portion of possible transactions. There might be an opening for search funds there because there is a succession need in many Swedish companies."*

5.2.3.3. The Unique Value Proposition of Search Funds to SME Owners

An American searcher (2) highlighted that she was never going to be able to be the highest bidder for a company, but her unique selling point was different, *"We are not going to be able to pay the highest price. But what we can guarantee is that if you want to preserve your legacy, we're not going to come in and fire everybody to cut costs. The owners have an incentive to find somebody to sell to that will take care of their employees and preserve their legacy."*

Many interviewees stressed that the personal dimension of the model plays a critical role in its appeal. The founder of the search fund accelerator (13) explained, *"The searcher has the benefit of showing the individual that will take over the business. Then the question is if the seller views this individual as a good fit for taking over. If they work with a PE actor, the seller doesn't have that option."* He continued by saying, *"Many of the companies that our searchers are looking at are major employers in the cities*

where they are located, and very often the seller doesn't plan to move to the Bahamas [or anywhere far away], and doesn't want to get 'weird looks' at the local supermarket, like 'that was the bad guy who sold the company to a predatory PE firm that made all those people lose their jobs.'"

5.3. Interest from Prospective Searchers

5.3.1. Evaluation of Searchers' Interest as Indicated by Survey

The targeted survey, conducted among university-educated individuals living in Sweden, received 72 responses and revealed several insights (Table 3). A strong entrepreneurial appetite was evident, with 86% of respondents expressing interest in becoming entrepreneurs, yet 71% of those interested currently lack a concrete startup idea. Awareness of search funds was moderate: 50% had heard of the model, chiefly through university courses (58%) or friends and colleagues (33%). After a brief explanation of the model, overall interest was 75%, leaving one quarter unconvinced. Among respondents who already knew about search funds, 81% said they would consider launching one, while 19% would not. Financial upside (79%), the appeal of being one's own boss (73%), and the promise of valuable experience (71%) were the strongest draws. The leading perceived barriers were a limited professional network (61%), insufficient knowledge of the model (50%), and lack of capital (52%). Respondents expressed greater interest in launching a search fund if they had access to an accelerator; among those who were initially unconvinced, 67% said that accelerator backing would increase their enthusiasm.

Table 3

Key Takeaways from Survey Data

Survey Question	Key Takeaways
Entrepreneurial appetite	86% (62) say they're interested in entrepreneurship/ownership, only 29% (18) already have a start-up idea.
Prior awareness of Search Funds	Exactly half of the sample had heard of the model (36 Yes / 36 No).
Raw interest in running a Search Fund	75% (54) would consider raising a fund and becoming CEO of an existing SME.
Effect of accelerator-style support	Among the 18 who were *not* yet convinced: 12 (67%) say accelerator backing would make them more interested; only 4 remained uninterested.
Perceived importance of formal training	5-point scale → mean = 3.8, median = 4: respondents lean toward "important / very important".
Where people first heard about Search Funds	Universities dominate (58%), followed by friends/colleagues (33%), then online (6%), and other (3%)
Perceived pros of the Search Fund model	Financial upside (79%) Being one's own boss (73%) Experience gained (71%)
Perceived key barriers of the Search Fund model	Lack of network (61%) Lack of capital (51%) Lack of model knowledge (50%) Perceived risk (47%) Difficulty finding a suitable target (42%)

5.3.2. Evaluation of Searchers' Interest as Indicated by Interviewees

The interview respondents also provided insights into the interest from potential searchers and investors' views on them in Sweden. The founder of the Nordic accelerator (13) explained his view: *"The lack of an MBA tradition limits the supply of searchers. Typically, here, you do a master directly after your bachelor, but local investors want a more experienced searcher."* He further highlighted a critical point regarding talent quality: *"For the model to succeed, we need to make sure that the right talent is pursuing the opportunity. In some markets, the search fund concept is quite hot, and sometimes people who don't have relevant business experience are able to raise a search fund. Of course this leads to not optimal outcomes."* Furthermore, one interviewee (10) stated, *"Business schools are not offering education on the search fund model… which [courses on search funds] could help a lot."*

While some interviewees indicated that the number of searchers could be bolstered with the implementation of more education in Sweden, even searchers (14, 18) with strong backgrounds in management consulting and business strategy said that it is difficult to convince investors to invest in the traditional model. One interviewed searcher (14) had over fifteen years of experience in operating and consulting roles yet was still met with skepticism from investors.

5.4. Transaction Environment Capabilities

5.4.1. Search Fund Structuring Under Swedish Law

Interviewees indicated that there should not be any material impediments for the traditional search fund model, considering Sweden's developed M&A environment (Interviews, 2025; Business Sweden, 2023). A potential challenge identified in multiple interviews concerns the traditional U.S. search fund "sweat-equity" structure, which may be constrained by Swedish regulatory frameworks. The CEO of the Swedish PE firm (6) emphasized that equity in companies must be acquired at 'fair market value (FMV).' She stated, *"Sweden doesn't have 'sweat equity' like in the U.S.... Shares for 'free' is not a thing. Management incentive programs can have a set-up that allows for better scalability on common shares, but you need to have FMV on the shares."*

A Swedish M&A attorney (11) observed that, despite the practical difficulties associated with structuring sweat equity in Sweden, there are *"…no showstoppers on the legal side."* He went on to outline several mechanisms by which searchers might approximate a sweat-equity arrangement within Swedish law, such as Qualified Employee Stock Options and warrants. According to him, the most viable approach would be that *"…investors give searchers their max equity stakes in the holding company before the acquisition, when the company's FMV is basically zero."* This structure would be supported by a vesting clause designed with a clawback provision to protect investors if the searcher either departs or fails to meet pre-agreed financial and operational benchmarks – thereby replicating the

risk-and-reward alignment typical of sweat equity. A remaining issue, however, concerns the ambiguous tax treatment of incentive-based equity. As the attorney (11) explained, *"Equity upfront is taxed as capital gains, but any bonus scheme such as carried interest can be taxed as income."* Given that Sweden, like the U.S., applies substantially lower tax rates to capital-gains income than to ordinary income, any classification of these incentives as income could materially diminish the net returns available to searchers.

5.4.2. Presence of Brokered Deal Sourcing

Two interviewees (14, 16) noted a limited presence and effectiveness of intermediary brokers within Sweden's acquisition market. Sweden has circa five to ten nationwide business brokers who facilitate SME transactions. The Swedish self-funded searcher (14) further explained that business brokers tend to show a distinct preference for serial acquirers rather than individual buyers. He also revealed that attractive SME transactions in Sweden often occur in closed networks, where brokers exclusively invite repeat institutional or serial acquirer clients to bid on the most attractive opportunities.

5.5. Perceived Risk-Return Profile

5.5.1. Return Expectations

At the time of writing, there are currently no known publicly available search fund return figures in Sweden. Investors and searchers indicated that they could only rely on return expectations based on historical figures in other markets. International benchmarks indicate that search funds outside the U.S. have achieved an average IRR of 18% and a ROI of 2.0x, while U.S. search funds have recorded an average IRR of 35% and an ROI of around 4.5x (see Appendix B for returns). Interviewees indicated that Swedish investors anticipate return profiles comparable to those observed in the U.S. As one interviewee (13) remarked, *"Every investor has read the Stanford Study. They benchmark to it (30-35% return) and expect that return."* Comparable asset classes were also discussed during the interviews to frame expected returns. For example, an interviewee (5) noted that Swedish VC funds typically target IRRs of 30-35%, whereas LMM PE funds (6) aim for IRRs in the range of 20-25%. An investor (17) shared his perspective on return expectations for search funds: *"Compared to PE, which isn't as reliant on a single individual, I would expect returns higher than that, which would be at the higher end of the 20-30% IRR range."* It was further noted that Swedish search funds might face challenges in replicating the high returns observed in the U.S. One interviewee (7) remarked, *"A possible concern is how you can grow a company in a small market; you may reach the market's limits before you meet your required return."*

5.5.2. Views on Risk

There was significant variation among interviewees' views on the risk profile of search funds relative to other investment classes. Multiple respondents involved with search funds (1, 2, 8, 13, 14, 17, 18) argued that search funds offer a superior risk-adjusted return compared to asset classes like VC, as their focus on acquiring established companies inherently reduces risk. One searcher (14) stated, *"The risk-reward [from search funds] is much better than VC."* Conversely, other interviewees, notably investors and other private capital actors, expressed concerns that the inherent risk is elevated, attributing it to the typical inexperience of searchers in managerial roles (3, 5, 6, 15). The PE interviewee (6) characterized the search fund model as *"high risk."* No investors interviewed were willing to finance the search phase, citing fears of no acquisition, the high levels of trust needed to be put into a single person, and unfamiliarity with the model. This was backed up by interviewees (13, 14, 18) who had tried to get search phase financing but were unable to do so. Furthermore, the representative of a Swedish start-up incubator (9) was unwilling to consider admitting search funds as a part of their strategy, stating that *"it's tricky, it [the search fund model] is a whole other type of set-up. Instead of investing in someone who has an idea and a plan to get there, you are investing in someone that will maybe find a company."*

6. Analysis and Discussion

This section synthesizes the empirical findings, situates them within the existing literature, evaluates each sub-hypothesis across the five dimensions, and ultimately answers the research question.

6.1. Access to Capital

6.1.1. Navigating Equity Financing Challenges

In Sweden, it is extremely difficult to obtain search phase financing…

Analysis of the interview data reveals three key obstacles to securing search-phase equity in Sweden: limited managerial experience among searchers, low awareness of the model, and lack of a local search fund track record. Investors demonstrated a notable reluctance toward financing the initial search phase, finding it counterintuitive to invest without an acquisition target. Swedish investors, potentially reflecting a culturally rooted preference for clarity and tangible assets, tend to avoid models that lack immediate visibility into the underlying investment. In contrast, U.S. investors have shown a proportionally greater willingness to tolerate this ambiguity, a difference that can be largely attributed to the strong domestic track record of successful search fund outcomes.

…but it is possible to secure acquisition financing.

Findings indicate a significantly greater investor willingness to commit capital once a specific target company has been identified. At this later stage, the investment opportunity becomes concrete, aligning more closely with the clarity and transparency Swedish investors seek. Investors value searchers' ability to identify and capitalize on overlooked acquisition opportunities, specifically those with succession needs. As Ener and Dávila (2023) articulate it, the search fund relationship explicitly embodies a principal-agent problem, where investors (principals) delegate the search, acquisition, and management of a target company to entrepreneurs (agents). This relationship inherently involves risks such as divergent objectives, information asymmetry, moral hazard, and adverse selection. Findings from the interview data indicate that the principal-agent problem is especially pronounced during the search phase, when investors commit substantial capital, but entrepreneurs contribute limited to no equity. It appears that Swedish investors actively mitigate this principal-agent issue by imposing rigorous expectations and requirements on the dedicated searcher. Consequently, investors are typically more inclined to commit capital during the acquisition stage. At this juncture, the principal-agent problem is significantly mitigated by increased visibility of the underlying business and the investor's ability to replace the entrepreneur in worst-case scenarios, providing enhanced control and reducing associated risks.

Still, it is hard to coordinate local and international investors.

New challenges emerge during the acquisition phase for Swedish searchers. A key issue raised by interviewees is the difficulty of coordinating local and international investors, whose investment criteria, expectations, and timelines often diverge. This finding aligns with prior research by Ener and Dávila (2023), who highlight the challenges European searchers face in reconciling the differing expectations of local and international investors.

Additionally, Sweden's relatively small market size further complicates capital access strategies. International investors often favor targets that align strictly with the established Stanford search fund criteria. In contrast, local investors typically adopt a more flexible and pragmatic approach, considering a broader range of opportunities that may deviate from the traditional playbook but still present long-term strategic value. This divergence places Swedish searchers in a challenging position, requiring them to balance the need for credibility with international investors while adapting to the realities of a constrained local market. As such, while capital from both local and international investors is available, accessing and coordinating it effectively remains a significant obstacle. This confirms practicality of the dual-channel strategy proposed by Pöschl and Mai (2025) in their research on emerging Asian markets. Search fund entrepreneurs in smaller, underrepresented geographies should tailor their communications separately to international and local investors to address their specific needs. For international investors, this means demonstrating a searcher's knowledge of local economic business characteristics and acumen. On the other hand, local investors demand guidance and transparency on the mechanics of the search fund model itself.

Finding the right size and number of investors poses further challenges.

Extending Ener and Dávila's (2023) analysis, the present study finds that Swedish – and potentially other smaller-market – searchers face particular difficulty in constructing an optimal capitalization table. The scale of typical search fund transactions and searchers' preferred capitalization table size often does not align with the investment capacity or preferences of local investors. Searchers indicated the preference to limit the size of the capitalization table to ten because it minimizes conflicting opinions and simplifies consensus on target selection and business strategy. This forces a dilemma onto many investors: either commit a disproportionately large share of their personal capital to a single search fund deal or invest a sum too small to justify the effort and due diligence required. This mismatch creates hesitancy on both sides and undermines the efficiency of capital raising. Moreover, the relatively limited pool of active investors further complicates the alignment of expectations. As a result, deal structuring becomes more cumbersome, adding friction to the already complex and time-pressured process of executing acquisitions in a small and fragmented investor landscape.

Educating investors is crucial to establishing the search fund model as a recognized asset class.

Analysis of the interview data shows that there is currently a dilemma with educating investors in the Nordics about the search fund model. In this market, searchers and accelerators are the stakeholders with the most knowledge about the model, which inadvertently forces them to become the parties responsible for educating investors. Because these "educators" are the ones asking investors for capital, they create a conflict of interest whereby potential financiers remain skeptical due to information asymmetry. This key finding is supported by contrasting the Swedish searcher who was able to obtain acquisition financing with relative ease with the searcher who has struggled. The former did not attempt to teach his investors a new model, rather relying on their pre-existing knowledge of acquisition financing. This finding can be better understood through the lens of agency theory, which highlights that inherent conflicts of interest and doubts regarding impartiality arise when the party supplying information also stands to gain personally (Jensen & Meckling, 1976). The institutionalization of the search fund model by a third-party stakeholder, such as a high-level university, would provide investors with an outside opinion and mitigate principal-agent conflicts. In the U.S., such a dilemma around education never arose due to the origination and expansion of the model within Harvard, Stanford, Yale, and other MBA programs.

6.1.2. Debt Access Conditional on Target Identification

Swedish searchers can secure debt financing only after identifying and engaging with a specific acquisition target.

Similarly to equity investors, Swedish banks place strong emphasis on track records and historical performance, reflecting a cautious approach to risk. Unlike some of their U.S. counterparts, they are reluctant to lend without clear visibility into the target company. As a result, securing debt financing before identifying a specific acquisition target is nearly impossible, limiting the competitiveness of Swedish searchers in fast-moving deal processes.

U.S. search fund levels of leverage are achievable in Sweden, but only with the use of EIF instruments.

Sweden's debt markets can furnish search fund entrepreneurs with acquisition leverage levels comparable to those achieved in the U.S. through SBA 7(a) financing. Although Swedish banks adhere to a conservative underwriting policy – capping senior debt at 50% loan-to-value (LTV) – some permit the senior tranche to be "stacked" with subordinate Almi loans, thereby increasing overall leverage. Because Almi financing ranks junior in the repayment waterfall and benefits from a partial guarantee by the EIF, the principal downside risk is effectively borne by Almi, allowing the bank to uphold its

50% LTV limit while supporting higher total debt levels. This enhanced leverage capacity removes a significant impediment to the establishment and performance of the search fund model in Sweden.

Swedish banks prefer providing financing alongside local equity investors.

Findings indicate that Swedish banks require a majority of equity investors on the capitalization table to be domestic to extend acquisition debt. This stipulation not only limits overall debt availability but also heightens the difficulty of assembling a balanced investor capitalization table.

6.1.3. On Sub-hypothesis H1.1.

The evidence provides grounds for rejecting Sub-hypothesis H1.1. Specifically, access to equity financing for traditional search funds in Sweden is currently not comparable to that available in the U.S. market. Local investors tend to be reluctant to fund the initial search phase, presenting a significant constraint on the model. Nonetheless, Swedish searchers are generally able to secure acquisition debt without substantial difficulty once target companies have been identified.

6.2. Availability of Suitable Search Fund Targets

6.2.1. Market-Size Constraints on Target Availability

Sweden does not only have a low number of traditional search fund targets compared to the U.S…

From a market size perspective, Sweden's relatively small economy and population naturally restricts the number of SMEs incorporated in the country. When applying the typical investment filters derived from the "Stanford Playbook," the already limited pool of targets is further reduced. Data suggests that once these criteria are applied, the number of suitable companies may drop to only a few hundred across the country. By contrast, as highlighted in the Stanford Studies, U.S. searchers typically screen thousands of prospects – and still, one in three fails to complete an acquisition.

…it has far fewer when accounting for the size of the countries.

Sweden's low number of potential search fund targets is not only a factor of its size. When adjusting for population, Sweden still exhibits a lower density of investable targets relative to the U.S. Data indicates that the number of people per suitable company in the U.S. is nearly twice as high in Sweden, underscoring the relative scarcity of opportunities in the country.

But the current absence of searchers and attractive characteristics of targets create opportunities.

While the market is smaller, the number of active searchers is also low, which may increase the probability of uncovering viable targets. Building on what Bauer et al. (2025) note, search funds blend the continuity of an internal successor with the fresh perspective of an external buyer and thereby

represent an attractive proposition for retiring SME owners. Given empirical findings that a substantial proportion of Swedish SME owners are nearing retirement and seek full succession, and that these businesses typically fall outside the mandate of traditional PE firms, search funds are uniquely positioned to access a subset of targets that are both high-quality and underserved.

6.2.2. Competitive Pressures in the Swedish SME Market

Transparency in reporting increases the number of competitors on attractive deals…

A defining factor intensifying competition for Swedish SMEs is the high degree of financial transparency among private Swedish companies, which aligns with the findings of Ener and Dávila (2023). This dramatically reduces information asymmetries – advantages that American searchers typically exploit to gain proprietary access to undervalued or overlooked acquisition targets. In markets where such asymmetry exists, searchers can differentiate themselves by actively uncovering off-market opportunities, building personal relationships with owners, and demonstrating added value to investors. These dynamics can lead to favorable deal terms and less aggressive bidding. However, in Sweden's transparent environment, nearly all actors have equal access to company data. As a result, proprietary sourcing becomes more difficult. While one might initially view transparency as an advantage – facilitating due diligence and faster assessments – it also fuels heightened competition, inflates valuations, and erodes the return potential traditionally associated with uncovering hidden value.

…and pushes search funds and their competitors into smaller-sized transactions.

In the U.S., searchers often avoid direct competition with PE by targeting smaller businesses that fall below the investment thresholds of traditional PE firms. However, Johnson's (2014) thesis that sub-USD 5m EBITDA targets are off-limits to PE does not hold in smaller markets like Sweden, where local PE comfortably transact at much lower EBITDA levels. If searchers attempt to move further down-market to escape this competition, they merely enter the domain of PE firms' add-on acquisition strategies, which actively seek smaller companies as part of broader buy-and-build platforms.

The landscape is further complicated by Sweden's highly active group of serial acquirers. In contrast to the U.S., where the opacity of SME financials acts as a natural "speed limit" for these acquirers, Sweden's transparent ecosystem allows them to act quickly and efficiently. This makes them direct competitors for the same pool of acquisition targets, further narrowing the search fund opportunity set.

Despite the high competition, searchers may fulfill a niche role within the Swedish market.

In competitive auctions, searchers seldom outbid financially stronger PE firms and serial acquirers, who leverage larger deal pipelines and deeper pockets. That said, and as mentioned, there appears to be a potential niche for search funds in Sweden. Searchers represent alternative buyers, often more

humanized than large financial and strategic acquirers, and lean heavily into preserving seller legacy. Searchers champion the companies that they purchase rather than adding them to a portfolio or merging them into larger organizations. Many sellers find value in the continuation and preservation of their companies and the peace of mind that the searcher is unlikely to tarnish their reputation through layoffs or other aggressive business optimizations. This aligns with the work of Bauer et al. (2025), who demonstrate the internal preservation of a family's socioemotional wealth by searchers. Furthermore, both PE firms and serial acquirers typically prefer to retain existing management and shy away from companies facing ownership succession challenges. This creates a potential gap in the market – one that searchers, who are well-positioned to step in as operators, could fill. The critical question, however, is whether there is a sufficient volume of succession-driven businesses that also meet the broader search fund criteria (e.g., stable cash flows, low capital intensity, recurring revenue, etc.).

6.2.3. On Sub-hypothesis H1.2.

The findings reject Sub-hypothesis H1.2. on the grounds that the opportunity landscape does not mirror that of the U.S., although the potential for a searcher to identify and acquire an SME in Sweden still exists. While Sweden contains a subset of mature and succession-ready SMEs, the overall investable universe is limited by the market's small size. Consequently, while viable targets exist, they are fewer in number and more competitive than in larger markets such as the U.S., necessitating a relationship-driven search strategy. Furthermore, Sweden's high level of financial transparency reduces information asymmetry but increases competition from PE and serial acquirers to levels not observed in the U.S., thereby limiting the effectiveness of proprietary deal sourcing. While a niche may exist in full-succession opportunities, its scale is uncertain.

6.3. Interest from Prospective Searchers

6.3.1. Prospective Searcher Appetite and Experience Gap

The interest from prospective searchers is there, but they are limited by a lack of knowledge and experience…

Survey results reveal that many of the respondents express a strong appetite for entrepreneurship, but most do not yet have a start-up idea. This disconnect underscores the appeal of the search fund model as an alternative pathway to entrepreneurship. Despite it seemingly being a relatively strong interest, few Swedish people currently progress into search funds, revealing a gap between potential and actual participation. Several structural factors help explain this disconnect. One important issue is Sweden's higher education and career development structure. Unlike in countries such as the U.S., where MBA programs commonly serve as a mid-career pivot point into entrepreneurial ventures like search funds, Sweden lacks a widespread MBA tradition. Compounding this issue is a general lack of awareness

about the search fund model itself. The targeted survey suggested that the primary barrier to engagement might be informational rather than motivational. The current absence of dedicated educational content on search funds within Swedish business schools exacerbates this challenge. Unlike leading institutions in the U.S., where the model is introduced through structured coursework, case discussions, and alumni guest lectures, Swedish institutions offer minimal exposure. As a result, many otherwise qualified individuals may never consider search funds as an attractive career path.

…which creates misalignment with local investor appetite.

Even with the right education and motivation, the inexperience of many prospective searchers introduces a critical tension in the Swedish context. Some interview data suggested that even a searcher candidate with fifteen years of relevant experience was unable to secure search phase funding. This underscores the tension between the relative inexperience of emerging searchers and Sweden's risk-averse investor base, which may ultimately constrain the entry of new searchers in Sweden.

6.3.2. On Sub-hypothesis H1.3.

In sum, Sub-hypothesis H1.3. is sufficiently supported. There is a motivated and capable pool of prospective searchers in Sweden, but the full realization of this potential depends on expanding education, adapting investor expectations, and strengthening general ecosystem support.

6.4. Transaction Environment Capabilities

6.4.1. Well-established Transaction Environment

Sweden has a well-established transaction environment, but regulations will force search funds to adapt traditional sweat equity structures.

The empirical data suggests that the viability of the traditional U.S. sweat equity model in Sweden hinges on two critical factors: first, legal structuring that leverages early distribution of searchers' shares combined with clawback protections to satisfy FMV rules; and second, clear and favorable tax guidance that ensures incentive payouts retain capital-gains treatment rather than slipping into higher-bracket income taxation. In practice, this will require not only creative use of mechanisms like warrants and option vehicles, but also early coordination with tax authorities to reduce post-acquisition uncertainty.

From a broader perspective, discussions with stakeholders in the transaction environment exemplifies how and why search funds need to adapt to local regulatory and tax environments. It emphasizes the importance of aligning legal form, economic substance, and tax treatment if incentive arrangements are to generate the intended motivational and financial outcomes. For future searchers in Sweden, the path forward will demand not only strong operational acumen, but also deep legal and tax planning expertise to ensure that their "sweat" truly translates into equity value.

The lack of brokers and their biases against one-off clients pose further challenges.

The low number of large business brokers in Sweden identified in the interviews creates a two-fold obstacle. First, with so few intermediaries controlling the most competitive deal flow, searchers must contend with reduced visibility into live processes, driving up both the time and cost required to uncover viable targets. Second, by privileging clients who bring multiple mandates or existing post-acquisition capital, brokers leave searchers overlooked. This structural bias reduces the likelihood of searchers receiving priority access to brokered deals, further constraining the already narrow funnel of viable acquisition opportunities. These findings underscore the necessity for Swedish searchers to invest in proprietary sourcing channels, despite the heightened competition caused by transparent financial data.

6.4.2. On Sub-hypothesis H1.4.

The findings support Sub-hypothesis H1.4. because Sweden, like the U.S., offers legal, tax, and transactional frameworks that can facilitate search fund deals. However, localized adjustments – particularly in incentive structuring – are required to be reflective of the U.S. market while accommodating Sweden's specific regulatory and market conditions.

6.5. Perceived Risk-Return Profile

6.5.1. Perceived Risk-Return Profile and Track-Record Gap

The absence of a local track record of search fund returns is a barrier to future investment.

Due to its novelty in Sweden, the traditional search fund model has not demonstrated historical returns locally. Without proof of its returns, investors have no basis for future search fund investments as they cannot quantify the risk-return profile. This aligns with Modern Portfolio Theory's (Markowitz, 1952) description of Mean-Variance investors, who aim to maximize returns for the amount of risk that they take. Investors therefore choose alternative investments – VC, PE, and angel investment funds – even when given the opportunity to invest in a search fund. This ultimately circles back to the first dimension, Access to Capital, in which investors are unwilling to finance searchers partly due to the lack of track record.

Market specific factors amplify perception of risk.

Investor skepticism regarding the replicability of U.S. search fund returns in Sweden is driven by several market-specific factors. Sweden's smaller economy, limited pool of suitable targets, and competitive SME landscape reduce the likelihood of consistently sourcing undervalued opportunities. Concerns also extend to the post-acquisition phase, where searchers are viewed as lacking the operational experience necessary to scale businesses. Even highly credentialed searchers face doubts about their readiness to drive sustained growth, reinforcing perceptions of elevated risk and uncertain exit potential.

6.5.2. On Sub-hypothesis H1.5.

The findings reject Sub-hypothesis H1.5. The lack of a local financial track record significantly limits investors' ability to assess the risk-return profile of the search fund model in Sweden. In the absence of empirical evidence, investors default to more established alternative asset classes that offer clearer performance benchmarks. Additionally, market-specific constraints further amplify perceived risk. These factors collectively undermine investor confidence in the model's ability to generate competitive returns, thereby limiting its attractiveness in the Swedish investment landscape.

6.6. Answer to the Research Question

How viable is the traditional search fund model in Sweden when considering both its growth potential and the key impediments to its establishment?

The analysis suggests that the traditional U.S. search fund model cannot be replicated in Sweden without significant adaptation. The findings reject Sub-hypotheses H1.1. (access to capital), H1.2. (availability of suitable targets), and H1.5. (perceived risk-return profile), while supporting H1.3. (interest from prospective searchers) and H1.4. (transactional environment). Consequently, the overarching Hypothesis H1 – that Sweden mirrors the U.S. landscape on all five structural and institutional dimensions – is rejected. Although the traditional search fund model remains conceptually viable, its practical execution in Sweden is significantly constrained by three core barriers:

1) Limited search phase equity financing, which curtails a searcher's ability to pursue acquisition opportunities.
2) Intense competition for traditionally ideal targets, driven by financial reporting transparency, limited market size, PE strategies, and highly active serial acquirers.
3) A nonexistent Swedish search fund track record and low familiarity with search funds as an asset class, which complicates fundraising and heightens perceived risk.

Together, these obstacles restrict the model's scalability and suggest that widescale adoption in Sweden will require tailored financing structures, specialized relationships, or hybrid approaches that address the market's specific constraints. This does not preclude an individual searcher from employing the traditional model today. Indeed, searchers may be the much-needed successors for the many Swedish business owners planning to retire in the coming years. However, the findings underscore the structural and systemic hurdles that must first be navigated to fulfill this niche.

7. Conclusion

7.1. Concluding Remarks

The comparative analysis undertaken in this thesis paints a nuanced picture of the traditional search fund model's prospects in Sweden. Mapping and analyzing the five dimensions that underpin the U.S. search fund "template" – access to capital, availability of suitable search fund targets, interest from prospective searchers, transaction environment capabilities, and the perceived risk-return profile of the model – reveals a mosaic of enabling factors and structural impediments in the Swedish context.

In Sweden, acquisition financing is broadly attainable yet search phase equity remains elusive. Investors view the model as unfamiliar and comparatively risky in the absence of a domestic track record. Furthermore, Sweden demands a mix of local and international investors – a dynamic that is not required in the U.S. where searchers can rely fully on local investors familiar with the model. Variances in demands and perspectives ultimately create conflict between local and international investors and inhibit the raising of search capital. Another source of fundraising challenges lies in the model's lack of institutionalization and solidification as an asset class. Unlike the U.S., where Stanford and Harvard grounded the model, there has been no third-party Swedish institution that has legitimized search funds. Consequently, Swedish searchers are forced to educate potential investors, which unintentionally fosters conflicts of interest.

Sweden's relatively small pool of investable SMEs, coupled with intense competition from PE firms and serial acquirers in a highly transparent marketplace, narrow the pipeline of "ideal" targets. In the U.S., searchers occupy a distinctive niche: they earn outsized returns by uncovering businesses that are overlooked because private company data is scarce. In doing so, they not only solve succession problems but also improve the allocation of capital in an opaque market. This enables them to reap financial reward through the exploitation of information asymmetries. Sweden's high level of financial disclosure largely removes these information gaps. With most data readily available, there are fewer hidden gems to exploit, so Swedish searchers are valued chiefly for addressing succession needs rather than for arbitraging informational inefficiencies.

Similarly to the U.S., a motivated cohort of early-career professionals stands ready to pursue entrepreneurship through acquisition in Sweden. However, their limited operating experience diverges from prevailing investor preferences. Without proper understanding and precedent, investors struggle to weigh the risk-reward profile of the model, and the inexperience of searchers only amplifies perceptions of risk. This could prove to be a barrier that will take time to overcome as investors slowly gain exposure to search funds.

Taken together, these conditions suggest that the use of the traditional search fund model in Sweden, while conceptually viable, is significantly constrained in practice. While sizeable growth of traditional search funds is improbable in the short term, self-funded or hybrid variants align more closely with current investor sentiment and therefore offer a more viable near-term pathway. Over the next fifteen years the model could gain traction if multiple successful cases demonstrate attractive returns, which could lower perceived risk, increase awareness, encourage new capital inflows, and position the model for broader adoption. Regardless, the model's growth is reliant on adaptations to fit the local market.

7.2. Contribution and Areas of Future Research

This thesis contributes to the emerging body of research on search funds in non-U.S. markets by providing a comprehensive investigation into the Swedish context. Several research avenues merit further exploration to deepen the field's understanding and support the strategic evolution of the model in Sweden and similar markets. First, future studies could explore how institutional and market-specific features, such as the transparency of company data and investor familiarity, shape agency dynamics between searchers and investors. Second, more research is needed on how goal misalignment emerges within mixed investor groups, particularly between experienced and first-time search fund backers, and how this affects acquisition outcomes. Third, as searchers in Europe often deviate from the U.S. "playbook," studies comparing performance across traditional and adapted models could offer practical guidance. Fourth, deeper investigation into the role of peer networks and local ecosystem development would be valuable for understanding how to scale the model sustainably in Europe. Finally, in-depth case studies of Swedish search fund journeys also present significant research opportunities. Following individual searchers through fundraising, acquisition, operational management, and eventual exit could highlight critical success factors, relationship-building strategies, and adaptation processes in the Swedish context. Overall, these research directions can enrich the understanding of search funds beyond the U.S. context, highlighting necessary adaptations and guiding stakeholders in building a robust search fund environment in Sweden and similar markets.

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9. Appendices

Appendix A

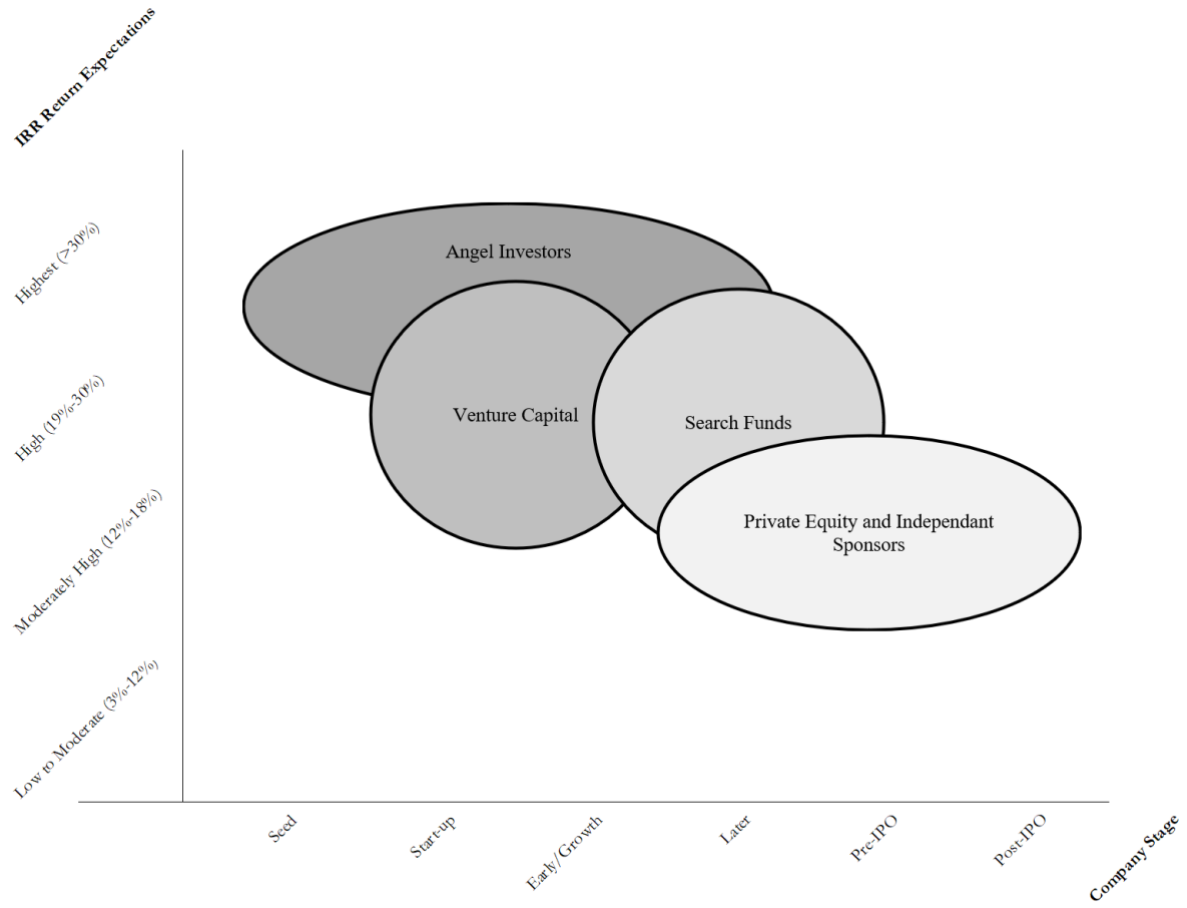
Search Funds versus Other Private Capital Models

Table A1. Comparison between Private Equity, Search Funds, and Venture Capital

Aspect	Private Equity	Search Funds	Venture Capital
Capital Pool	Large blind pools raised from numerous LPs, deployed across multiple portfolio companies	Single entrepreneur (or duo) raises from a small group of investors for one acquisition	Pooled capital raised for multiple startup rounds
Investment Focus	Scaling or restructuring established businesses	Single-target acquisitions of stable, profitable SMEs	High-growth, disruptive startups
Deal Size	Typically ≥ USD 25m (up to billions)	Generally, USD 8-12m (range < 1m to ~ 70m)	Seed-Series C rounds, often < USD 10m initial checks
Entrepreneur Role	Professional managers are hired; sponsors govern at board level	Searcher becomes CEO-owner post-acquisition, combining ownership with day-to-day leadership	Founders lead operations; VCs sit on board
Equity Structure	Carried interest for fund managers; equity usually granted upfront	"Sweat equity" earned over time upon milestones (25-30% vesting); newer models include carry-like features	Equity-only stakes with dilution across successive financings
Financing Model	Upfront capital commitments for both acquisition and follow-on capital	Staged financing: separate search-phase funding and acquisition commitments, limiting initial exposure but risking funding gaps	Syndicated, milestone-driven funding rounds
Target Companies	Businesses with established management; focus on scaling or turnaround	Owner-operated SMEs nearing founder exit	Early-stage ventures with high growth potential
Target IRR	Lower-middle-market PE funds in Sweden typically aim for 20–25%	U.S. search funds have historically delivered ~ 35.1% IRR on average	Swedish VC funds target roughly 30-35%
Risk–Return Profile	Levered, mature assets; IRRs moderate to high	Mature cash-generators with high IRR expectations, but high leverage and risk of no acquisition	High-risk, high-return: successful hits offset failures

Note. From Morrissette & Hines, 2015; Kelly & Heston, 2024; Ener & Dávila, 2023; Ruback & Yudkoff, 2017; Kowalewski et al., 2024

Figure A1. Average IRR Expectations by Investor Type and Company Stage of Private Capital Models

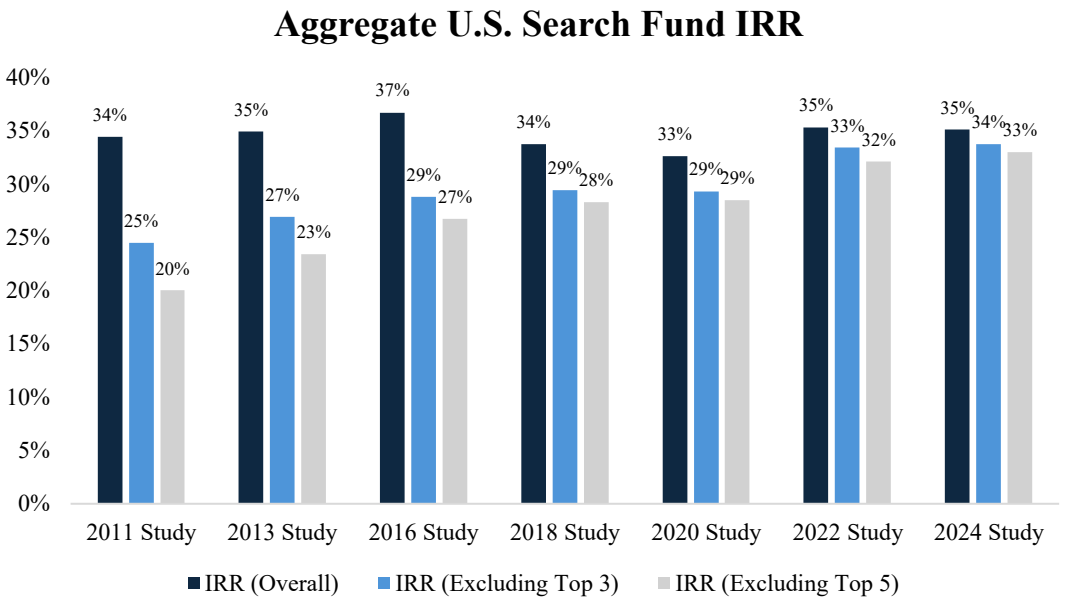


Note. From Morrissette & Hines, 2015

Appendix B

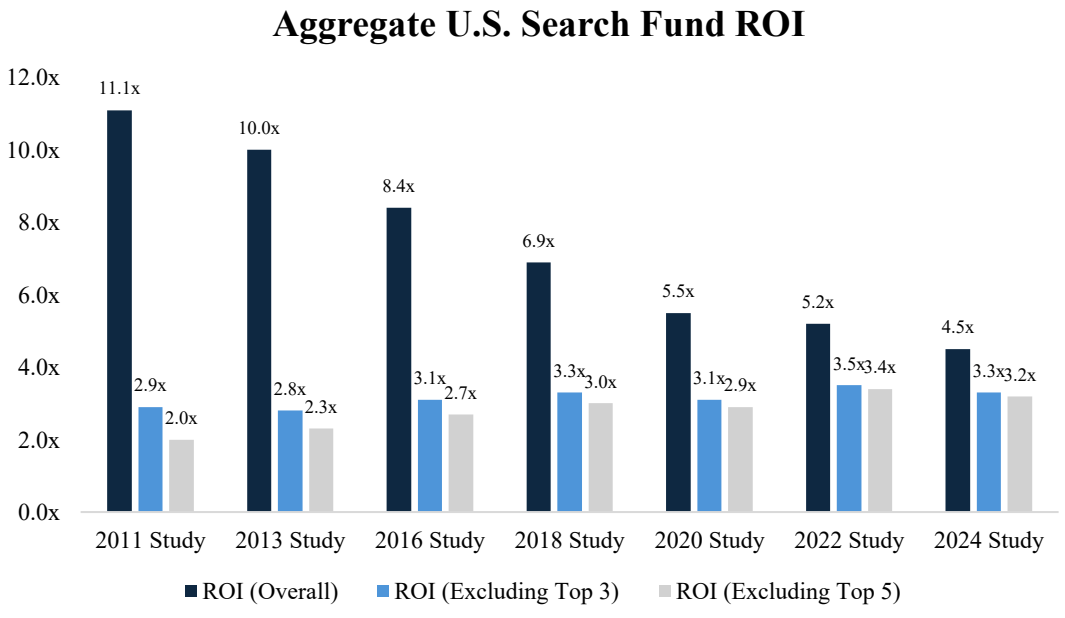
U.S. and International Search Fund Return Statistics

Figure B1. Aggregate U.S. Search Fund IRR (2011-2024) According to the Stanford Studies



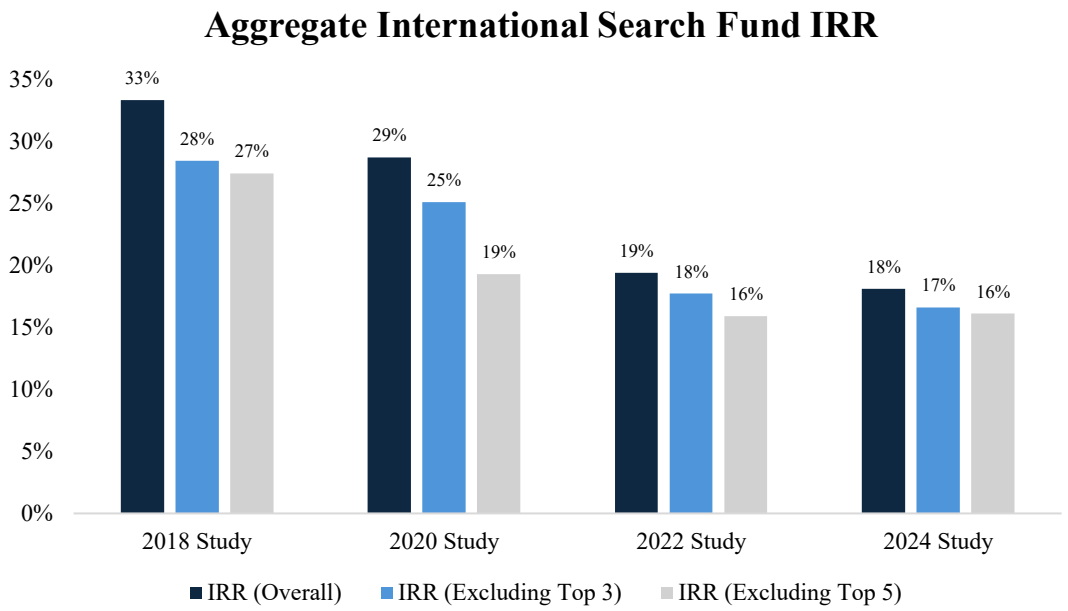
Note. From Kelly & Heston, 2024

Figure B2. Aggregate U.S. Search Fund ROI (2011-2024) According to the Stanford Studies



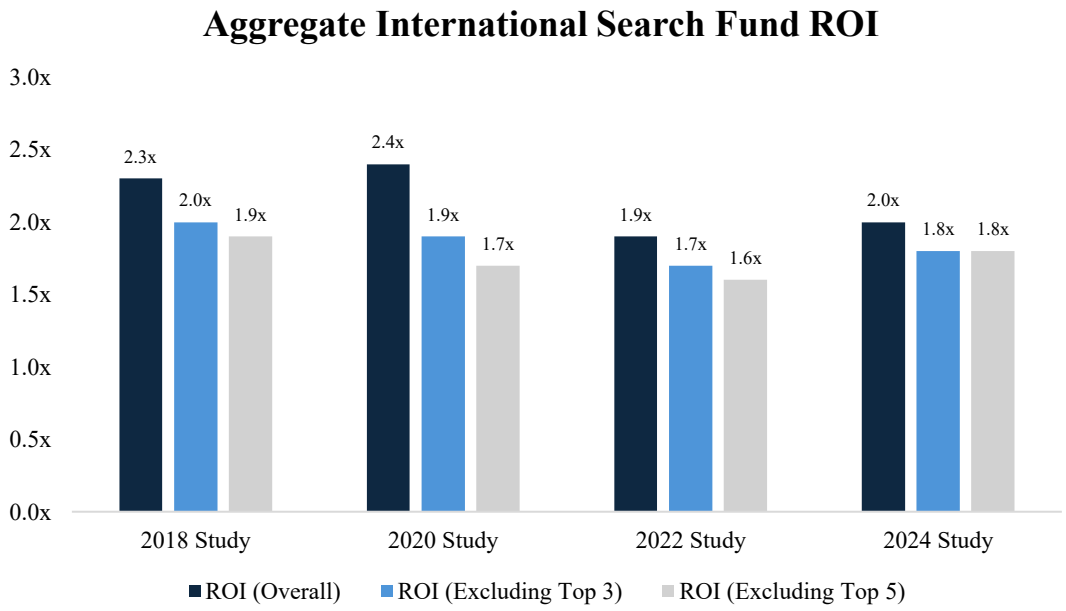
Note. From Kelly & Heston, 2024

Figure B3. Aggregate International Search Fund IRR (2018-2024) According to the IESE Studies



Note. From Kowalewski et al., 2024

Figure B4. Aggregate International Search Fund IRR (2018-2024) According to the IESE Studies



Note. From Kowalewski et al., 2024

Appendix C

Interview Information

Table C1. Interview Data and Legend

Number	Role	Nationality	Length of Interview	Date	Location
1	Searcher	American	28 minutes	20 February 2025	Video conference
2	Searcher	American	27 minutes	26 February 2025	Video conference
3	Angel Investor and Founder of an Angel Investment Company that supports start-ups at Seed stage	Swedish	41 minutes	25 February 2025	Video conference
4	SME Debt Financing Professional	Swedish	67 minutes	3 March 2025	In-person
5	High Net Worth Investor	Swedish	32 minutes	5 March 2025	Video conference
6	CEO of an LMM Private Equity Firm	Swedish	58 minutes	6 March 2025	In-person
7	Employee at Serial Acquirer	Swedish	30 minutes	4 March 2025	Video conference
8	Searcher	Brazilian	33 minutes	10 March 2025	Video conference
9	Incubator Representative	Swedish	30 minutes	11 March 2025	Video conference
10	Potential Searcher and PhD candidate	Swedish	39 minutes	17 March 2025	Video conference
11	M&A Law Expert	Swedish	32 minutes	18 March 2025	Video Conference
12	Founder and Head of M&A at a Nordic Serial Acquirer	Swedish	44 minutes	19 March 2025	Video conference
13	Founder of Nordic Search Fund Accelerator	Finnish	56 minutes	26 March 2025	Video conference
14	Searcher	Swedish	91 minutes	31 March 2025	Video conference
15	Partner at a Nordic M&A Advisor	Swedish	25 minutes	4 April 2025	Video conference
16	Associate at an M&A Advisor	Swedish	46 minutes	6 April 2025	In-person
17	Experienced Investor at a Family Office	Swedish	53 minutes	14 April 2025	Video conference
18	Founder of an Entrepreneur-driven Acquisition Vehicle	Swedish	44 minutes	17 April 2025	Video conference

Appendix D

Survey Information

Table D1. Survey on Search Fund Awareness and Interest Provided to Potential Searchers in Sweden to Quantitatively Gauge Future Searcher Pipeline

Number	Topic/Reason for Question	Question	Answer Choices
1	Interest in entrepreneurship or ownership	Are you interested in entrepreneurship or owning a business?	• Yes • No
2	Start-up idea (if interested in entrepreneurship)	If yes, [Start-up Idea]: Considering your previous answer, do you have a start-up idea that you would like to pursue?	• Yes • No
3	Search Fund Model Knowledge and Awareness	Have you heard of the "Search Fund model" for entrepreneurship and business ownership?	• Yes • No
4	Search Fund Model Knowledge and Awareness	If yes: Where did you learn about Search Funds?	• University • Job • I have been a searcher or investor • Online/Research • From friends or colleagues • Other [expand below]
	Search Fund description/refresher		
5	Search Fund Interest	Would you be interested in using a Search Fund (raising funds to acquire and lead an existing business as CEO)? *Note that an original start-up idea is not required to start a Search Fund. Yes/No	• Yes • No
6	Search Fund Interest	If you had support from a search fund accelerator (capital, target companies, mentorship), would you be more interested in acquiring and leading a business through a Search Fund?	• More interested – Support from an accelerator makes the model more appealing. • No difference – I would be equally interested with or without accelerator support. • Less interested – I would rather pursue a Search Fund independently. • Not interested – A Search Fund is not the right path for me.

7	Search Fund Interest	What factors would make a Search Fund an appealing career path for you?	• Opportunity to be your own boss • Financial returns • Community & network building • Becoming a CEO • Industry flexibility • Investment backing • Experience gained
8	Search Fund Interest	What are the biggest barriers preventing you from pursuing a Search Fund?	• Lack of knowledge of search fund model • Lack of capital • Risk • Lack of network • Difficulty in finding a suitable company to buy • Other [expand below]
9	Search Fund Accelerator	How important would formal training (e.g., an incubator or accelerator) be in making a Search Fund viable for you?	1-5 (Scale: Not important – Very important)
10	Demographic data	What is your gender?	• Male • Female • Other
11	Demographic data	What is your nationality?	
12	Demographic data	What is your highest level of education (completed or currently pursuing)?	• High school or below • Bachelor's degree • Master's degree • PhD or higher
13	Demographic data	Which best describes your current professional status?	• Bachelor Student • Master Student • PhD or MBA Student • Working professional (0–2 years of experience) • Working professional (3–5 years) • Working professional (6–10 years) • Working professional (10+ years • Unemployed

Figure D1. Survey Results Relating to Interest in Entrepreneurship (n=72)

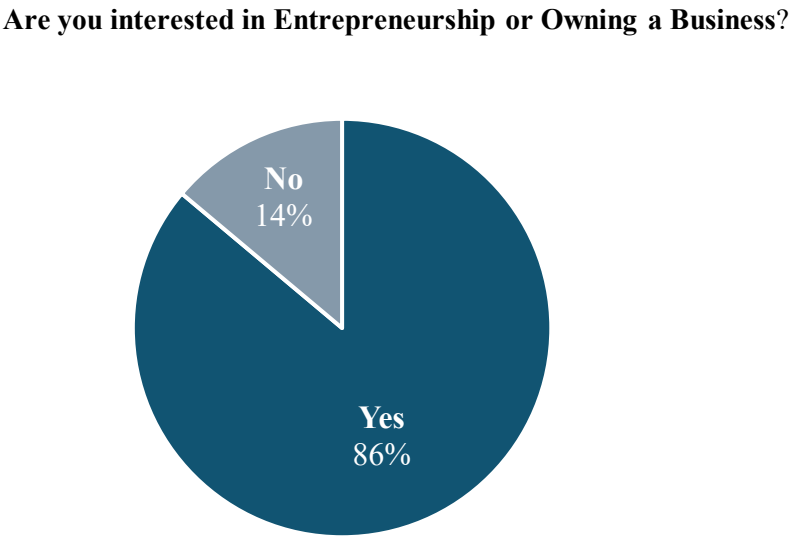


Figure D2. Survey Results Relating to Start-up Ideas (if "Yes" in Figure D1.) (n=62)

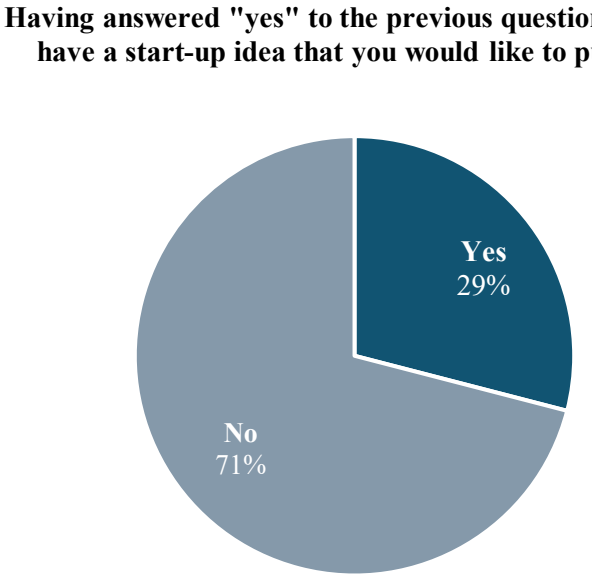


Figure D3. Survey Results Relating to Awareness in Search Funds (n=72)

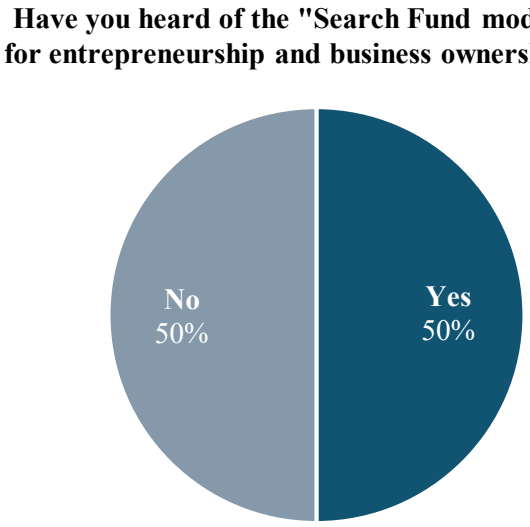


Figure D4. Survey Results Relating to Source of Knowledge of Search Funds (if "Yes" in Figure D3.) (n=36)

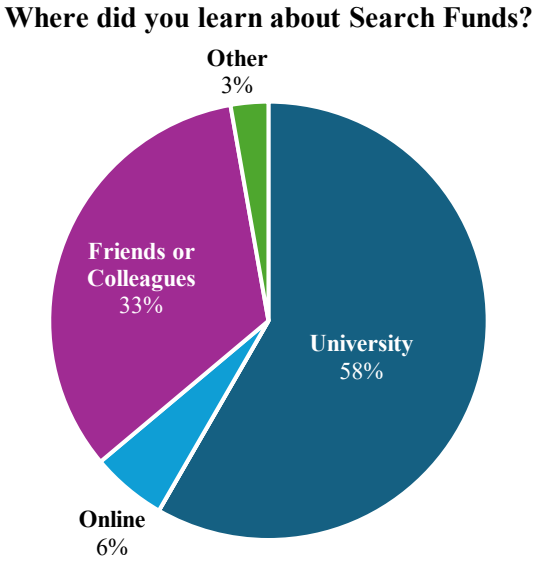


Figure D5. Survey Results Relating to Interest in Utilizing Search Funds (n=72)

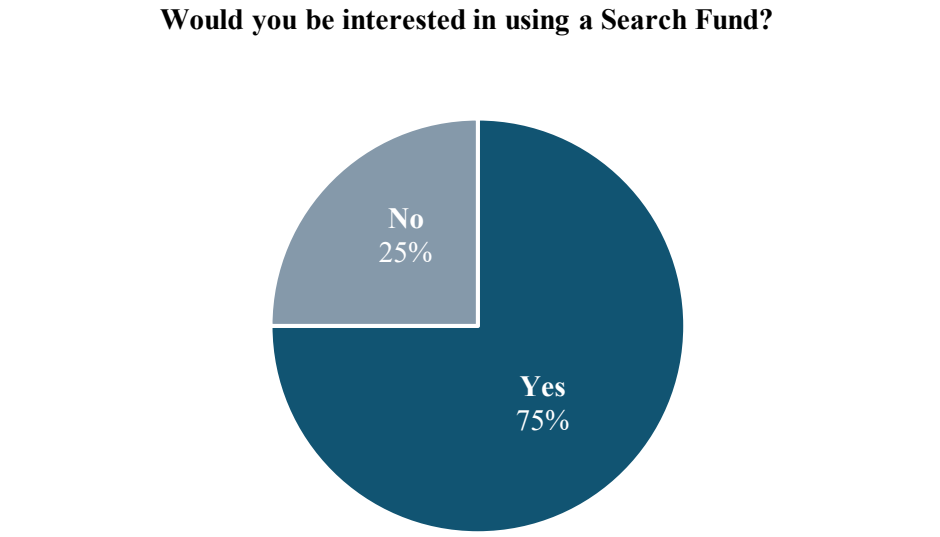


Figure D6. Survey Results Relating to Interest in Utilizing Search Funds if Given More Support from a Search Fund Accelerator (if "No" in Figure D4.) (n=18)

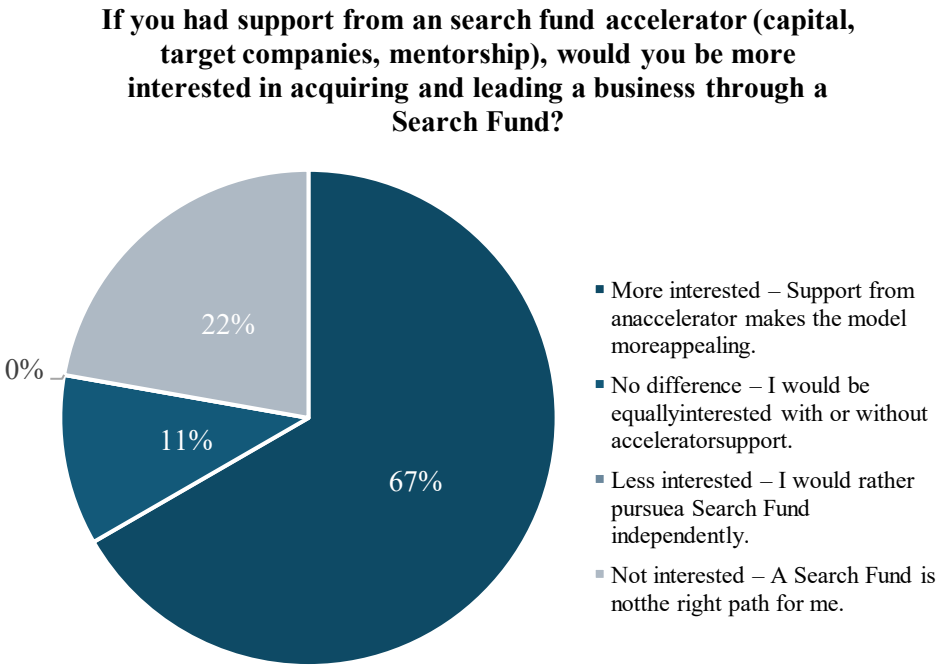


Figure D7. Survey Results Relating to the Appeal of Search Funds (n=72)

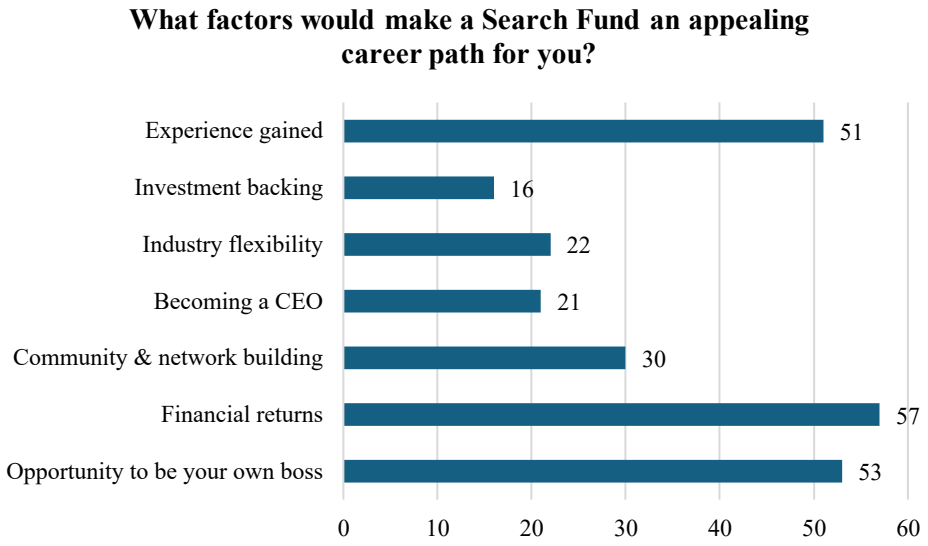


Figure D8. Survey Results Relating to the Barriers of Search Funds (n=72)

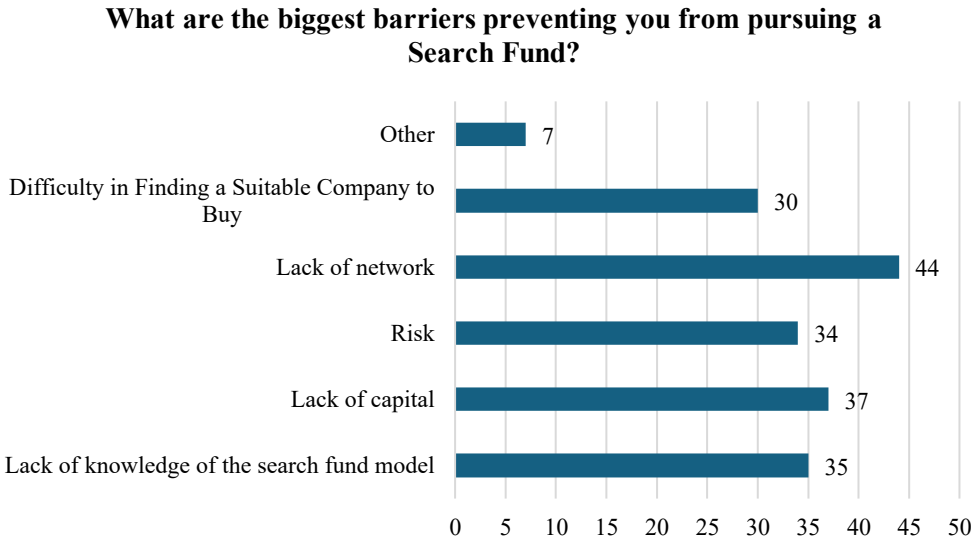


Figure D9. Survey Results Relating to the Importance of a Search Fund Accelerator (n=72)

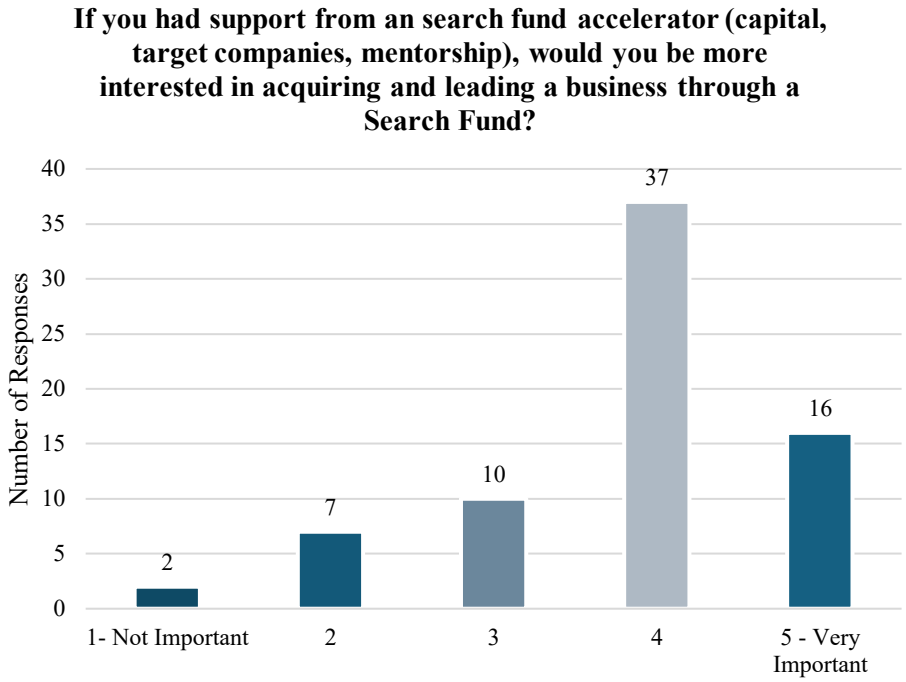


Figure D10. Survey Results Relating to Gender (n=72)

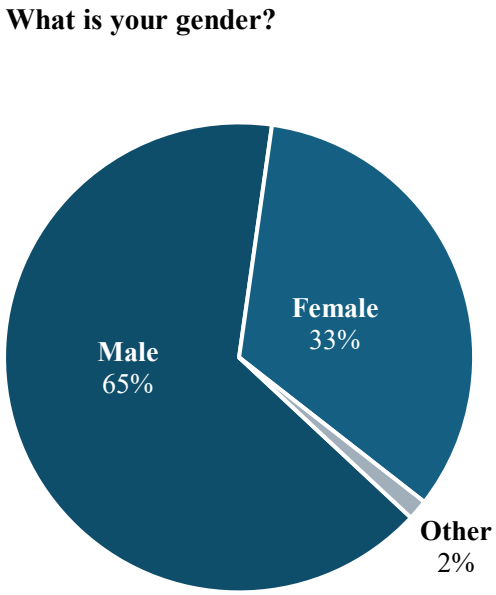


Figure D11. Survey Results Relating to Nationality (n=72)

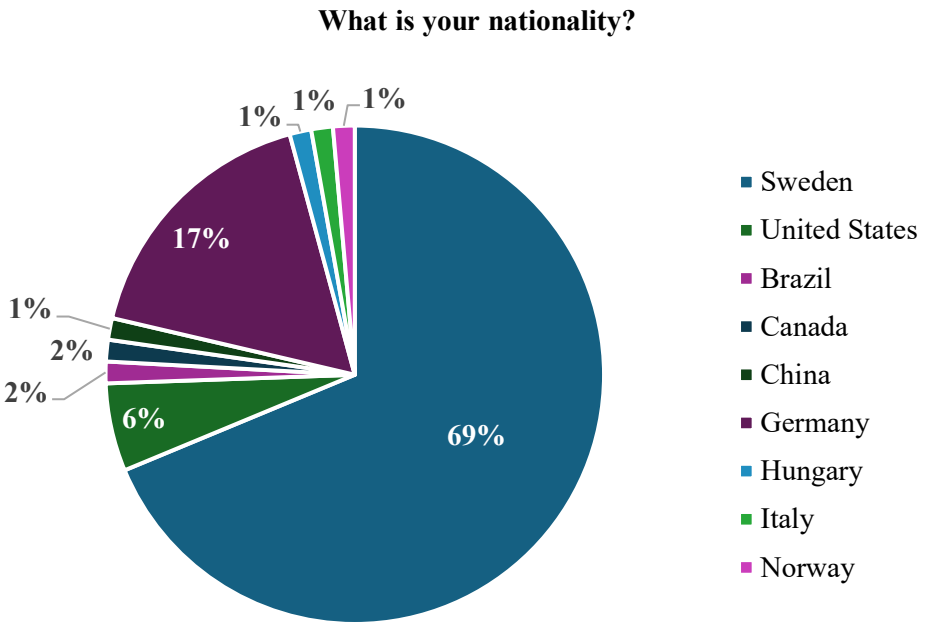


Figure D12. Survey Results Relating to Nationality (n=72)

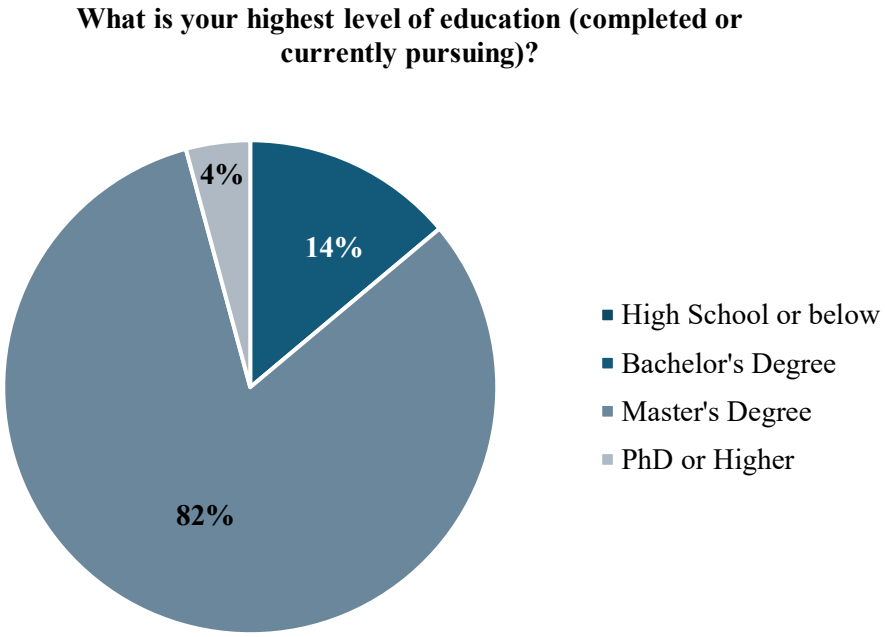
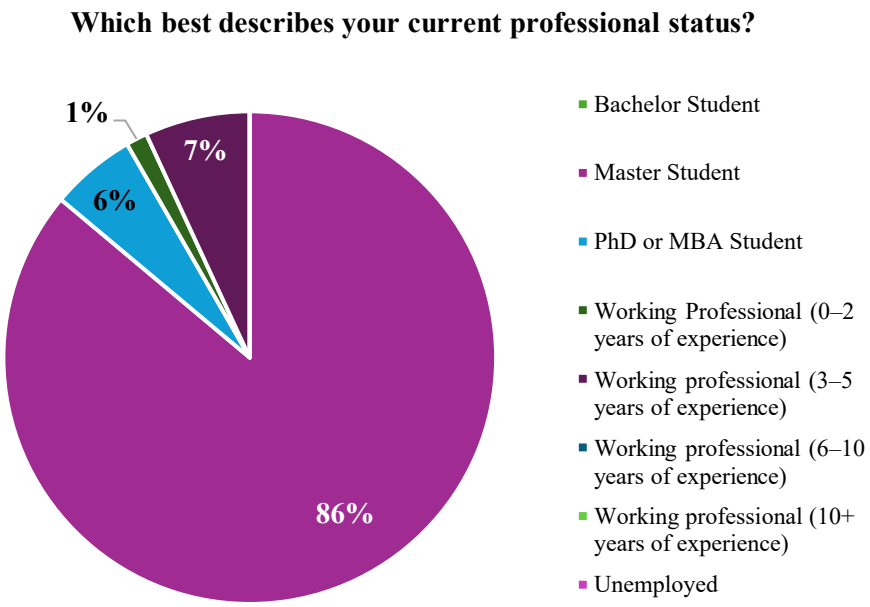


Figure D13. Survey Results Relating to Professional Status (n=72)



Appendix E

Data and Filters Used for U.S. and Swedish Traditional Search Fund Target Market Sizing

Figure E1. Screenshot of U.S. Census Bureau 2022 Annual Business Survey ABSCS2022.AB2200CSA03 Data

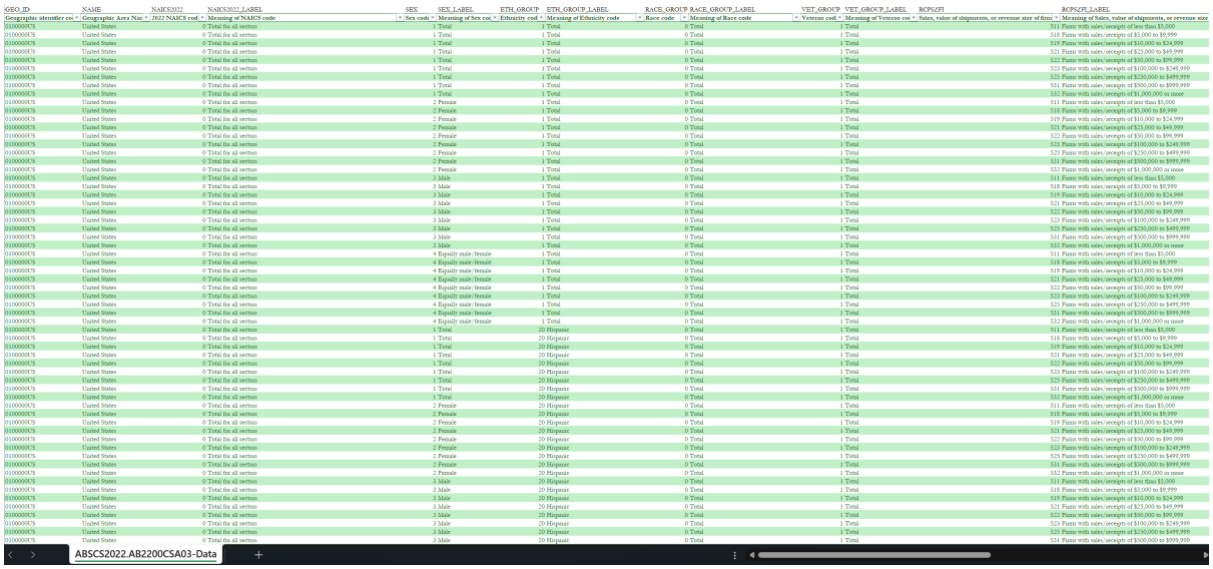


Table E1. Filters Applied to U.S. Census Bureau Annual Business Survey to Derive Number of U.S. Employers

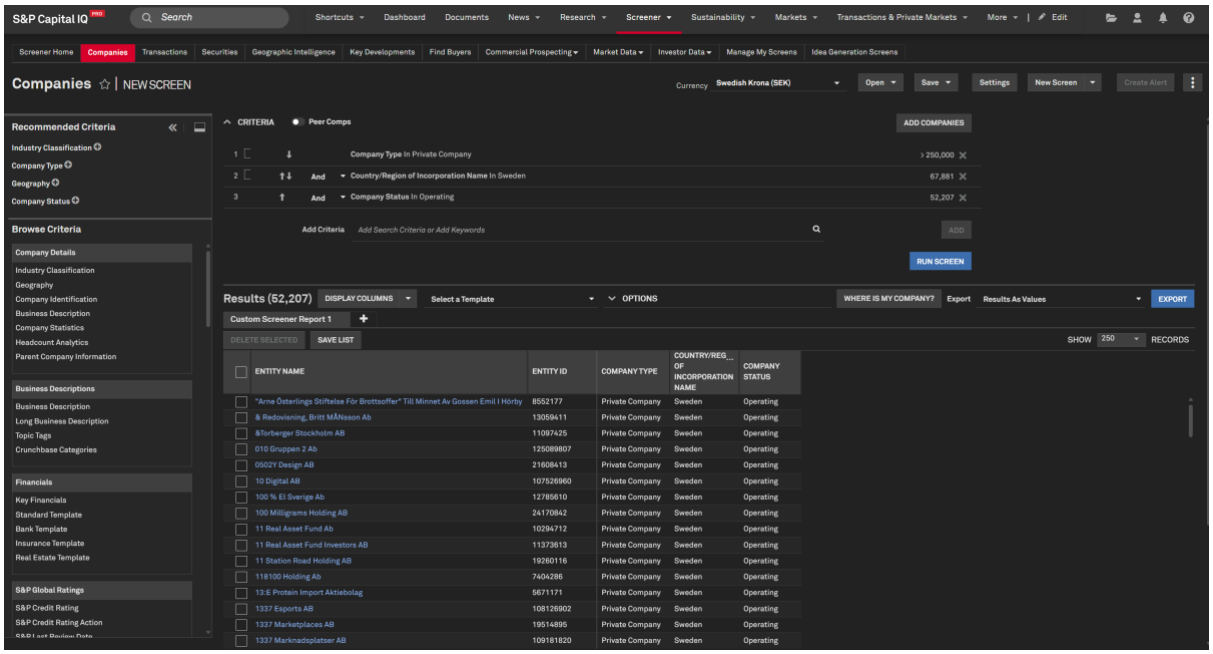
Filter Name	Filter Value Applied	Filter Value Purpose
NAICS2022	**0**	Total for all sectors
SEX	**1**	Total
ETH_GROUP	**1**	Total
RACE_GROUP	**0**	Total
VET_GROUP	**1**	Total

Table E2. Filters Applied to U.S. Census Bureau Annual Business Survey to Derive Number of U.S. Employers with Receipts Between USD 10m-25m

Filter Name	Filter Value Applied	Filter Value Purpose
NAICS2022	**0**	Total for all sectors
SEX	**1**	Total
ETH_GROUP	**1**	Total
RACE_GROUP	**0**	Total
VET_GROUP	**1**	Total
RCPSZFI	**519**	Firms with sales/receipts of $10,000,000 to $24,999,000

Figure E2. Screenshot of S&P Capital IQ Pro Database Showing the Number of Private Operating Companies in Sweden

There are a total of 52,207 operating private companies in Sweden.



Note. The "operating" filter excludes inactive, liquidated, out of business, acquired, and exited investment companies.

Figure E3. Screenshot of S&P Capital IQ Pro Database Showing the Number of Private Operating Companies in Sweden with Revenue Filter

There are 1,805 private operating companies incorporated in Sweden with Total Revenues between SEK 100mn-300mn

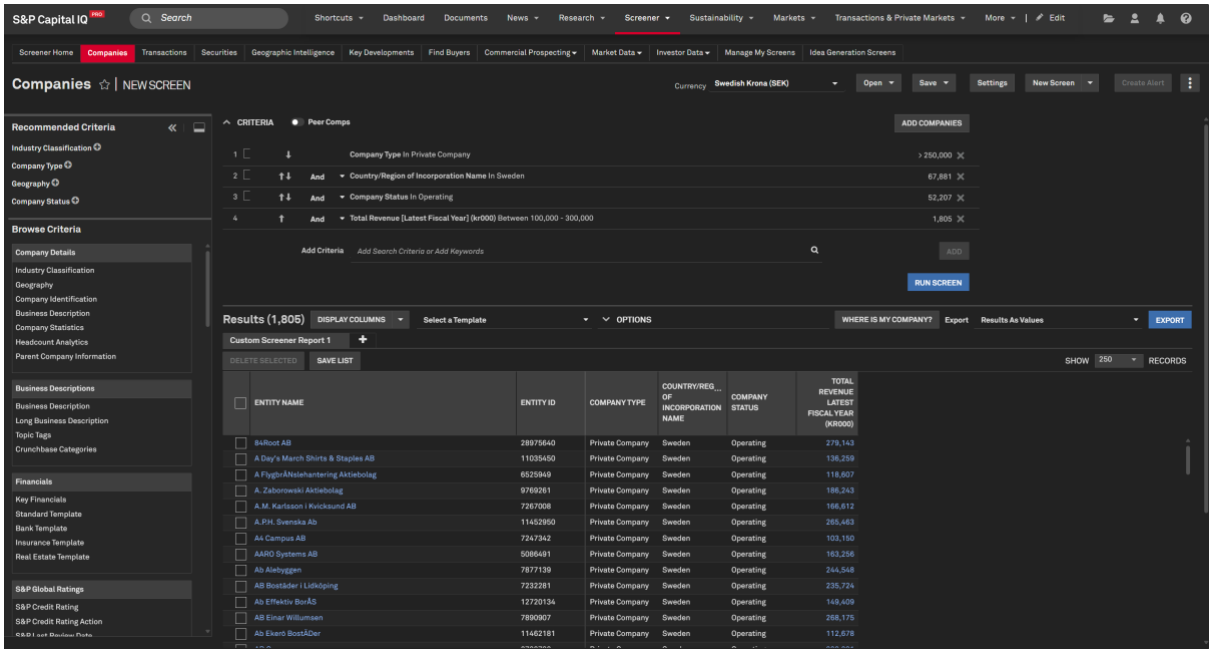


Figure E4. Screenshot of S&P Capital IQ Pro Database Showing the Number of Private Operating Companies in Sweden with Revenue and EBIT Filters

There are 1,347 private operating companies in Sweden with Total Revenues between SEK 100mn-300mn and EBIT greater than SEK 15mn

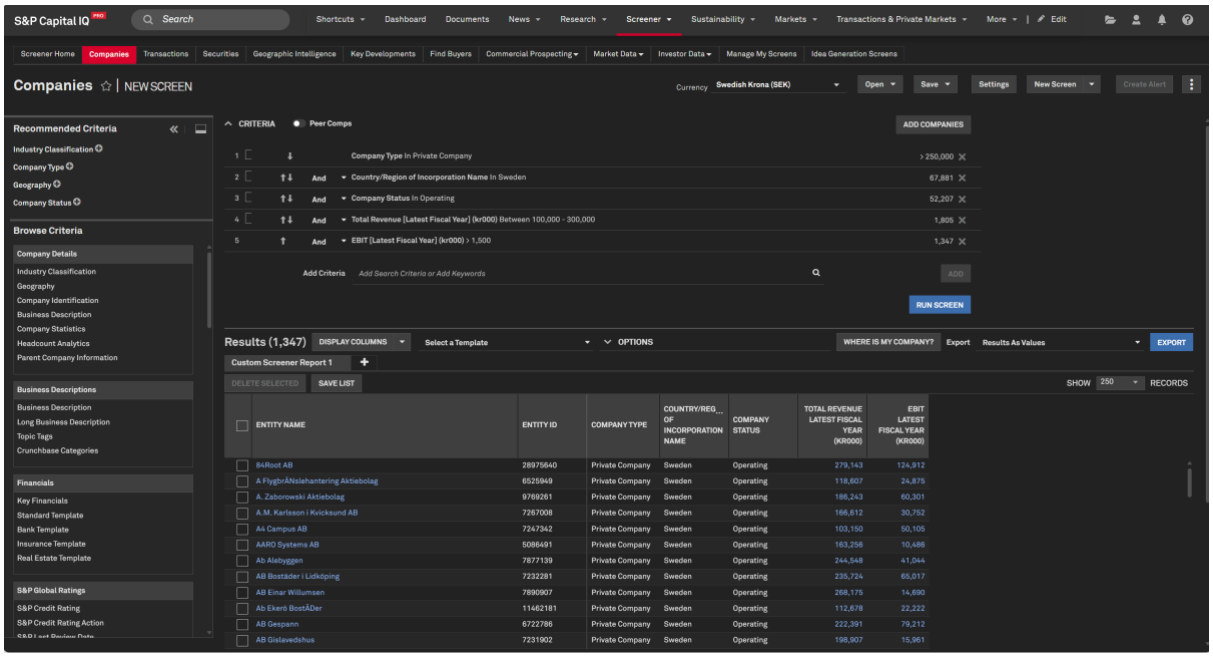


Table E3. Number of Active Private Swedish Companies with Filters According to Valu8 Database Provided by Serial Acquirer Interviewee

There are a total of 3,582 operating private companies in Sweden with sales between SEK 50-200m and EBIT margin greater than 10%.

Data retrieved from Valu8	**Filter**
Search date	2025-03-19
Currency	SEK
Scale	MSEK
Status	Active
Region	SE
Net sales	50.0 - 200.0 MSEK
EBIT margin	10.0% - MAX
Employees	10 - MAX Amount
Number of companies meeting these criteria	**3,582**

Appendix F

Overview of AI Usage

Table F1. The Use of AI Models in the Creation of the Thesis

Aspect	Details
AI Tool Employed	• ChatGPT (OpenAI o3, OpenAI 4.5, OpenAI o4-mini)
Nature of Use	• Interview transcription • Language polishing
Contributions to Quality	• Enhanced clarity • Consistency of writing style
Identified Risks	• Inaccurate or hallucinated content • Misattributed citations • Loss of author voice • Data confidentiality
Mitigation Measures	• Cross-checked all AI outputs against primary sources • Verified and corrected any citations • Ensure final wording is author-approved
Reflections & Insights	• AI as a complement for writing, not a replacement for domain expertise • Rigorous oversight is essential • Transparency enhances reproducibility • Early-stage outlining and rapid polishing are promising uses, with proper verification

Note. OpenAI, 2025